

City of Gresham
Finance Committee
Wednesday, June 16, 2021
Executive Summary

5. Investment Policy Review

Presented by Susan Brown, Finance & Accounting Services Manager and Tanner Warner, Treasury Analyst

The City annually reviews and updates its Investment Policy. Ms. Brown and Mr. Warner will present the proposed changes to the Finance Committee. Staff will then request the Finance Committee's approval of the changes prior to the policy being considered by Council in September. A mark-up version of the policy is included in this packet.

Requested Action: Committee Recommendation to Council

6. Financial Sustainability Project Recap

Presented by Sharron Monohon, Budget & Finance Director

Ms. Monohon will provide a recap of recent Council presentations related to the Financial Sustainability project and describe upcoming project plans.

Requested Action: Information and Committee Discussion

7. Review of Upcoming Agenda Topics

Presented by Sharron Monohon, Budget & Finance Director

During recent Finance Committee meetings, members have expressed interest in following up on several topics including a review of the City's Financial Policies and further discussion regarding compensation practices for Mayor and Council. This item is intended to allow for Committee discussion on potential next steps and to plan for upcoming agendas.

Requested Action: Information and Committee Discussion

8. Council Workplan, Budget & Other Project Updates

Presented by Sharron Monohon, Budget & Finance Director and Susan Brown, Finance & Accounting Services Manager

Ms. Monohon and Ms. Brown will provide information on the status of Council Workplan projects and other key initiatives that are underway currently.

Requested Action: Information and Committee Discussion

MEMO

To: Tanner Warner and Susan Brown – City of Gresham
 From: Deanne Woodring and Whitney Maher
 Date: May 11, 2021
 Re: Investment Policy Review and Update 2021

ORS 294.135(a) requires local governments investing in securities with maturities longer than 18 months to annually adopt their investment policies. GPA is suggesting updates this year which do not change the risk in the policy but provide added clarity. The Council is required to adopt the policy annually and it was last adopted in September 2020. The policy is being presented for re-adoption for 2021 to Council with the following recommended clarification changes:

- ✓ Remove Federal Instrumentality Mortgage-Backed Securities – not in statute.
- ✓ Reduce Muni exposure by combining in diversification table.
- ✓ Reduce Corporate exposure by combining in diversification table.
- ✓ Change maximum maturity to 7 years – update all references throughout document and diversification table. Will allow for access to new issue corporate and municipal opportunities. Portfolio weighted average maturity will remain unchanged at 3.5 years WAM to keep risk in-line with existing strategy.
- ✓ ESG Language

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's or Fitch	Maturity Restrictions
US Treasury Obligations	100%	100%	N/A	7 years
US Agency Obligations	100%	25%	N/A	7 years
Corporate Bonds (OR)			A, A3, A	7 years
Corporate Bonds	35%*	5%**	AA-, Aa3, AA-	7 years
Commercial Paper			A1, P1, F1	270 days
Municipal Obligations (OR)	25%	5%	A-	7 years
Municipal Obligations (CA, ID, WA)			AA-	7 years
Municipal Obligations (City of Gresham)	\$15,000,000	\$15,000,000	A-	10 years
Certificates of Deposit	25%	10%	Oregon Public Depository	366 days
Banker's Acceptance	25%	10%	AAA Letter of Credit	180 days
Repurchase Agreements	25%	10%	N/A	90 days
Oregon Short Term Fund	Maxium allowed per ORS 294.810	None	N/A	N/A

*35% maximum combined corporate and commercial paper per ORS.

**Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

CITY OF GRESHAM

INVESTMENT POLICY

September 2021

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City of Gresham Investment Policy

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RESOLUTION NO. 3427

A RESOLUTION ADOPTING AN INVESTMENT POLICY FOR THE CITY OF GRESHAM AND REPEALING RESOLUTION NO. 3385

The City of Gresham Finds:

- A. On September 17, 2019, the City Council passed Resolution No. 3385 that adopted an Investment Policy.
- B. In order to make investments having a maturity longer than 18 months, the City is required by ORS 294.135(a) to readopt the Investment Policy not less than annually.
- C. It is desirable to update the Investment Policy.
- D. This resolution is the written order of the Gresham City Council required by ORS 294.035 and ORS 294.125 authorizing the custodial officer to invest City funds.

THE CITY OF GRESHAM RESOLVES:

- 1. The City adopts the Investment Policy attached as Exhibit A and authorizes the investment of city funds by the custodial officer in accordance with the provisions of the Investment Policy.
- 2. Resolution No. 3385 is hereby repealed.

Yes: Echols, Gladfelter, Hinton, Jones-Dixon, Morales, Palmero, Widmark

No: None

Absent: None


Abstain: None

Passed by the Gresham City Council and effective on September 15, 2020.


 Eric Schmidt
 Interim City Manager


 Karylann Echols
 Mayor

Approved as to Form:


 Kevin R. McConnell
 City Attorney

City of Gresham Investment Policy

The City of Gresham, Oregon (hereinafter referred to as the City) was incorporated in 1905 and is a home rule city operating under a city charter adopted in 1978. The government of the City is vested in an elected, seven-member city council, which includes the mayor. The city council appoints the city manager, who is responsible for the day-to-day management of the City. Gresham has a population of 112,660 and is located 17 miles east of downtown Portland, Oregon.

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The purpose of this Investment 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 of Gresham.

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

This Policy has been adopted by Resolution No. xxxx of the City Council of Gresham, Oregon, on September xx, 2021 and replaces the City's previous Investment Policy, dated September 15, 2020.

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SCOPE

The provisions of this Investment Policy shall apply to all investable funds of the City of Gresham and its component unit, except for deferred compensation fund assets, pension fund assets, and assets of restricted trust and escrow funds. 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 fiscal year 2020 average balance of funds invested in the City's general portfolio was \$250 million.

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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 to the contributing funds based upon their average daily cash balances and in accordance with generally accepted accounting principles.

OBJECTIVES

The City's funds shall be invested in accordance with all applicable City, State and Federal regulations, and in a manner designed to accomplish the following objectives, in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet all operating requirements that are reasonably anticipated.
3. Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.
4. Maximize risk-optimized portfolio return throughout economic and fiscal cycles (within the constraints of this Investment Policy). This policy discourages active trading and turnover of investments.

PRUDENCE AND INDEMNIFICATION

The standard of prudence to be used for managing the City's assets 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."

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 within a diversified portfolio, losses sometimes occur, and such 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 may be in the best long-term interest of the City.

The City's Custodial 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 realized losses are reported as soon as practical to the City Manager and action is taken to control adverse developments. Realized losses in the City's portfolio shall be charged against current or future investment earnings.

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.

DELEGATION OF AUTHORITY

The ultimate responsibility and authority for the investment of City funds resides with the City Council. The City hereby designates the Budget & Finance Department 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. Persons authorized to transact investment business on behalf of the City are listed in Annex I of this Policy.

In order to manage the portfolio, resources shall be allocated to the cash management program. This commitment of resources shall include financial and staffing considerations.

INVESTMENT ADVISORY SERVICES

Subject to required procurement procedures, the City may engage the support services of 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 and necessary financial protection of the City's resources. External service providers shall be licensed with the State of Oregon Division of Financial Regulation (DFR), subject to Oregon Revised Statutes, and the provisions of this Investment Policy.

The investment advisory service firm will function in a non-discretionary role 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.

The investment advisory firm must be registered with the Securities and Exchange Commission and licensed by the State of Oregon. All investment advisory firm representatives conducting investment transactions for the City must provide certification in writing of having read, understood and agreed to comply with this investment policy.

INTERNAL CONTROLS AND COMPLIANCE

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

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

- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities whenever possible, but control requirements for physical delivery should be addressed when necessary
- Clear delegation of authority to subordinate staff members
- Confirmation of transactions for investments and wire transfers
- Compliance with and oversight of Investment Policy
- Review, maintenance, and monitoring of security procedures

An external auditor shall provide an annual independent review to assure compliance with Oregon state law and the City's policies and procedures.

ACCOUNTING METHOD

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).

SAFEKEEPING AND CUSTODY

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. Financial institutions approved to provide safekeeping services for the City of Gresham are listed in Annex II.

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.

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

All fed-wire 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.

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 Chapter 295.

Per Oregon Revised Statutes Chapter 295, it is the responsibility of the State Treasurer to ensure that public funds are collateralized appropriately by the public depositories holding the deposits.

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

SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS ACTING AS BROKER/DEALERS

Broker/dealers and other financial institutions shall be selected by the Custodial 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. Approved Broker/Dealers are provided in Annex III.

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 Financial Industry Regulatory Authority (FINRA) Series 6 or Series 7 license, and either the Series 63 or Series 66 license. License requirements are per the Oregon Division of Finance and Corporate Securities.

Periodic review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Custodial Officer. Factors to consider would be:

- Pending investigations of the customer representatives by securities regulators
- Significant changes in net capital
- Pending arbitration cases of customer representatives
- Regulatory enforcement actions against registered representatives

The City may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved Broker/Dealers. Such Broker/Dealers will comply with the selection criteria above and the list of approved firms shall be provided to the City on an annual basis or upon request.

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 3 of the Suitable and Authorized Securities and Transactions section of this Policy.

SUITABLE AND AUTHORIZED SECURITIES AND TRANSACTIONS

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 294.052 (Definitions; investment by municipality of proceeds of bonds), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (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.

The City will diversify investments across maturities, security types and issuers to avoid incurring unreasonable risks. The City has further defined the eligible types of securities and transactions as follows:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding seven years from the date of settlement. See exception in 2a. The maximum ownership of U.S. Treasury Obligations is 100%.

2. Federal Agency and Instrumentality Obligations: Securities with maturities not exceeding five years from the date of trade settlement. See exception in 2a. The maximum ownership of Federal Agency Obligations is 100% with no more than 25% of the portfolio held in any one agency issuer.

2a. Exception for securities purchased in 1 and 2 above: A maximum of 10% of the City's portfolio may be invested in Treasury, Agency, and/or Instrumentality securities that mature between 7 and 10 years.

3. Commercial Paper 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. Such debt shall be issued by a commercial, industrial or utility business or issued by

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Deleted: ~~Federal 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 settlement. See exception in 3a. Subordinated debt may not be purchased. The maximum ownership of Federal Instrumentality Securities is 100% with no more than 25% of the portfolio held in any one instrumentality issuer. ¶

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or on behalf of a financial institution with maturities not exceeding 270 days from the date of 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. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated at least A by Standard and Poor's, A2 by Moody's, or A by Fitch at the time of purchase. 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.

4. Corporate Bonds 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. Such bonds shall be issued by a commercial, industrial, or utility business or issued by or on behalf of a financial institution with final maturities not exceeding seven years from the date of settlement.

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The debt must be rated at least AA- by Standard and Poor's, or Aa3 by Moody's, or AA- by Fitch at the time of purchase. Split ratings are acceptable to no less than A. 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.

A rating exception may be made if the bond issuer meets the criteria of ORS 294.035(3)(i)(C). The minimum corporate bond credit quality may be lowered to at least A by Standard and Poor's, A2 by Moody's, or A by Fitch on the date of settlement.

5. 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 issuing institution's short-term letter of credit rating shall be in the highest category by Standard and Poor's or Moody's or Fitch. Maturities shall be limited to 180 days from the date of settlement and ownership of bankers' acceptances shall not exceed 25% of the portfolio, with no more than 10% of the portfolio held in any one issuer.
6. 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 semi-annually set by ORS 294.810, or the exceptions listed therein. Details of the maximum limit are provided in Annex IV.
7. Time Deposit Open Accounts, Certificates of Deposit, and Savings Accounts in insured institutions as defined in ORS 706.008 that maintains an office in Oregon.

All deposits, including time deposit open accounts, Certificates of Deposit, and savings accounts that are purchased by the City shall be FDIC insured or collateralized in accordance with the provisions of ORS Chapter 295. Ownership of time certificates of deposit shall be limited to 25% of the portfolio, with no more than 10% with any one financial institution at the time of purchase, and maturities shall not exceed 366 days.

8. 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 a combined total of 25% of the portfolio, with no more than 10% of the portfolio held in any one institution.

Repurchase Agreements shall be entered into only with City approved Primary Dealers reporting to the Federal Reserve Bank of New York or firms that have a Primary Dealer within their holding company structure. The Custodial Officer shall maintain a copy of the City's approved Master Repurchase Agreement.

9. Obligations of the State of Oregon and its Political Subdivisions: Lawfully issued debt obligations of the agencies and instrumentalities of the state and its political subdivisions. Such debt must have a long-term rating of at least A- or the equivalent or be rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating agency (NRSRO). As defined in ORS 294.040, 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. Ownership of such obligations, aggregated with those in 10 below, 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 seven years from the date of settlement.

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10a. Exception for securities purchased in 9 above: A maximum of \$15 million may be invested in securities issued by the City of Gresham or a component unit of the City of Gresham that mature within 10 years.

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10. Obligations of the States of California, Idaho, and Washington and its Political Subdivisions: Lawfully issued debt obligations of these states and their political subdivisions. Such debt must have a long-term rating of at least AA- or the equivalent or be rated on the settlement date in the highest category for short-term municipal debt by a NRSRO. As defined in ORS 294.040, 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. Ownership of such obligations, aggregated with those in 9 above, 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 seven years from the date of settlement.

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**Summary Table
Suitable and Authorized Securities and Transactions**

Security Type	Maximum Portfolio %	Maximum Issuer %	Maturity Restrictions	Rating Restrictions (S&P, Moody's, Fitch)
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U.S. Treasury Obligations	100%	100%	7 years*	N/A
Federal Agency and Instrumentality Obligations	100%	25%	7 years*	N/A
Commercial Paper			270 Days	A-1, P-1, or F1 A, A2, or A (Senior Debt)
Corporate Bonds	35%	5%	7 years	AA-, Aa3, or AA-
Corporate Bonds of Oregon Issuers			7 Years	A, A2, or A (Long-term) A-2, P-2, or F2 (Short-term)
Banker's Acceptance	25%	10%	180 Days	Highest Rating for Letter of Credit
Oregon LGIP	ORS 294.810 balance limitation	ORS 294.810 balance limitation	N/A	N/A
Certificates of Deposit	25%	10%	366 Days	N/A
Repurchase Agreements	25%	10%	90 Days	N/A
Municipal Obligations of Oregon Issuers	25%	10%	7 years	A-, A3, or A- (Long-term) A-1, P-1, or F1 (Short-term)
Municipal Obligations of California, Washington, or Idaho Issuers			7 years	AA-, Aa3, or AA- (Long-term) A-1, P-1, or F1 (Short-term)
Municipal Obligations of the City of Gresham	\$15,000,000	\$15,000,000	10 Years	A- A3 A-

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35% combined with commercial paper¶
35% combined with commercial paper

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5% combined with commercial paper¶
5% combined with commercial paper

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*According to section 2a, a maximum of 10% of the portfolio may be invested in U.S. Treasury Obligations, Federal Agency Obligations and Federal Instrumentality Obligations that mature between 7 and 10 years.

In case of conflict between this summary table and the preceding text narrative, the text narrative controls.

The weighted average credit quality of the portfolio shall not be greater than a value of three (3) using the table immediately below and the lowest rating provided.

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 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-	
8	Baa1		BBB+		BBB+	
9	Baa2		BBB		BBB	
10	Baa3		BBB-		BBB-	

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.

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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. 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 at the time of purchase. Any deviation from this list must be pre-approved in writing by the City Manager.

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 seven years from the date of settlement. However, a maximum of 10% of the portfolio may be invested in Treasury, Agency, and/or Instrumentality securities that mature between 7 and 10 years. The City also reserves the right to purchase a maximum of \$15 million of securities issued by the City of Gresham or a component unit of the City of Gresham that mature within 10 years. The weighted average final maturity of the City's portfolio shall at no time exceed 3.5 years.

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At all times, the City of Gresham shall maintain an amount in the portfolio in cash and investments maturing within 30 days equal to at least two times the highest month's negative change in the portfolio balance from the previous calendar year, adjusted for any anomalies or extraordinary items. The City shall maintain an amount in the portfolio in cash and investments maturing within one year equal to at least two times the change in the portfolio balance between January and October of the previous calendar year, adjusted for any anomalies or extraordinary items. The City will calculate these liquidity requirements upon the adoption of this policy and in January each year thereafter and will report the requirements in monthly compliance calculations.

OTHER INVESTMENT GUIDELINES

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 shall document quotations for comparable or alternative securities. When purchasing original issue securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

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:

1. Make a commitment to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement of the purchase or sale transaction; or
2. Enter into any agreement to invest funds or sell securities for future delivery for a fee other than interest; or
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
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
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 therefor.

Investing Bond Proceeds

The City recognizes that bond proceeds may be subject to the provisions of the Internal Revenue Code, Federal Arbitrage Regulations, as amended.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE RISK

The City recognizes that the organization and the citizens which it serves benefit from an environment that is sustainably managed, a society that functions well, and sound governance systems. In support of these goals, the performance of the portfolio relies upon thorough risk management of these factors. The risks associated with environmental, social, and governance (ESG) criteria may be considered to effectuate the objectives of the portfolio. Understanding ESG risks and how to mitigate them will allow the City to effectively manage its portfolio in the short- and long-term.

REPORTING REQUIREMENTS

Designated City Finance personnel shall compile and submit a monthly report to the Custodial Officer or designee listing the cost, current fair value, credit ratings, benchmarking, compliance and duration of investments held by the City, in accordance with GASB Statements 31 and 40. The report shall include a summary of investment earnings and performance results for the period.

The Custodial Officer shall submit semi-annual reports unless otherwise requested to the City's Finance Committee and City Council, which includes benchmarking, compliance and a summary of investment earnings and performance results during the period.

PERFORMANCE EVALUATION

The Custodial Officer shall periodically establish a benchmark yield for the City's investments. Considerations for establishing the benchmark yield shall include a market index that closely aligns to the City's portfolio duration and the average yield on the US Treasury rates ranging from 3 months to 5 years. 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.

POLICY REVISIONS

This Investment Policy shall be reviewed by the City's Finance Committee and if necessary, the Oregon Short-Term Fund Board prior to being submitted to the City Council for adoption on an annual basis in accordance with ORS 294.135(a). The data contained in the Annexes to this document may be updated by the Custodial Officer as necessary, provided the changes in no way affect the substance or intent of this Policy.

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ANNEX I: Authorized Personnel

Persons authorized to transact investment business on behalf of the City of Gresham are as follows:

Sharron Monohon, Budget & Finance Department Director - Custodial Officer
Tanner Warner, Treasury Analyst
Susan Brown, Finance & Accounting Services Manager

ANNEX II: Approved Custodians

The following safekeeping and custodian institution has been approved by the City of Gresham:

U.S. Bank National Association

ANNEX III: Approved Broker/Dealers

The following broker/dealers have been approved by the City of Gresham:

Bank of America Merrill
Bank of NYC Mellon Cap Markets
Scotia Capital USA Inc. (Bank of Nova Scotia)
Barclays Capital Inc.
BNP Paribas Securities Corp.
Cantor Fitzgerald
Castle Oak Securities
CIBC Global Markets Inc.
Citigroup Global Markets Inc.
Credit Suisse Securities USA LLC
D.A. Davidson
Deutsche Bank Securities Inc.
Daiwa Capital Markets
Fifth Third Bank
FHN Financial
Goldman Sachs & Co.
Great Pacific Securities
Hartfield, Titus & Donnelly LLC
Incapital LLC
Intl FCStone Partners LP
JP Morgan Securities Inc.
KeyBanc Capital Markets
Loop Capital Markets
MarketAxess
Mizuho Securities USA LLC
Morgan Stanley
Multi-Bank Securities
MUFG Securities Americas Inc.
Nomura
Piper Sandler & Co.
Raymond James
RBC Capital Markets
SG Americas Securities LLC
Stifel Nicolaus
SMBC Nikko Securities America Inc.
Suntrust Robinson
TD Securities (USA) LLC
UBS Securities LLC
US Bancorp Investments Inc.
Vining Sparks
Wells Fargo Securities

ANNEX IV: Limits of Participation in State of Oregon Local Government Investment Pool

Participation in the pool shall not exceed the maximum limit annually set by ORS 294.810. The limitation stated in this section shall not apply to funds of a governing body which are placed in the investment pool on behalf of another governing unit.

C.P.I. adjustments for Local Government Balance Limitation

Period Start	Period End	U.S. City Average CPI	Annual Change	LGIP Deposit Limitation
9/1/12	8/31/13	232.018	1.024%	\$ 46,073,407
9/1/13	8/31/14	235.685	1.580%	\$ 46,801,588
9/1/14	8/31/15	236.749	0.451%	\$ 47,012,858
9/1/15	8/31/17	238.653	0.804%	\$ 47,390,998
9/1/17	8/31/18	243.392	1.987%	\$ 48,333,000
9/1/18	8/31/19	249.280	2.414%	\$ 49,500,000
9/1/19	8/31/20	254.016	1.820%	\$ 50,400,000
<u>9/1/20</u>	<u>8/31/21</u>	<u>257.721</u>	<u>1.706%</u>	<u>\$ 51,177,000</u>