

COUNCIL POLICY NO. C-7

TITLE: INVESTMENT POLICY AND PORTFOLIO GUIDELINES

POLICY: See attached.

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**CITY OF SALEM INVESTMENT POLICY
MARCH 2018**

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CITY OF SALEM

INVESTMENT POLICY AND PORTFOLIO GUIDELINES

The purpose of this Investment Policy (Policy) is to establish investment objectives, provide guidelines, and set forth responsibilities and reporting procedures necessary for the prudent management and investment of the funds of the City of Salem and its component units (the City). Financial terms can be found in **Appendix I –Glossary**.

I. Scope

This Policy applies to the activities of the City of Salem with regard to the consolidated investment of short-term operating funds, reserves, and capital funds, including bond proceeds and bond reserve funds held by the City. Balances in checking accounts, negotiable order of withdrawal (NOW) accounts, investments of employees' retirement funds, and deferred compensation plans are not covered by this Policy.

II. Delegation of Authority

The fiduciary responsibility and authority for the investment of City funds resides with the City Council. The City hereby designates the Financial Operations Manager as the Custodial Officer for the City's funds. The Custodial Officer shall be responsible for the operation of the investment program and shall act in accordance with ORS Chapter 294, Public Financial Administration, and written procedures and internal controls for the operation of the investment program that are consistent with this Policy. This Policy shall constitute a "written order" from the 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 listed in **Appendix II** of this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and procedures established by the Custodial Officer. The Custodial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of delegees and other subordinate officials with access to the funds subject to this Policy.

III. General Objectives

The investment objectives of this Policy and their priority are: (1) safety; (2) liquidity; and (3) yield.

1. **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to remain compliant with applicable laws and to mitigate Credit Risk, Interest Rate Risk, and Custodial Risk.
 - a. **Legality.** All funds within the scope of this Policy are subject to regulations established by the State of Oregon; specifically ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810.
 - b. **Credit Risk.** The City will minimize the risk of loss by:
 - Limiting exposure to poor credits.
 - Pre-qualifying the financial institutions, Broker-Dealers, intermediaries, and advisers with which the City will do business.
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

- Actively monitoring the investment portfolio holdings for ratings changes, changing economic/market conditions, etc.
- c. **Interest Rate Risk.** The City will minimize the risk that the Market Value of securities in the portfolio will fall due to changes in general interest rates, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity.
 - Investing the City's funds primarily in 0 to 5 year securities and overnight funds.
 - d. **Custodial Risk.** The City will minimize Custodial Risk by placing its securities with a third-party custodian, who will hold the securities in the City's name, as evidenced by the safekeeping contract and monthly statements.
2. **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by:
 - Maintaining appropriate balances in investment vehicles that provide overnight liquidity; and
 - Structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands where possible and prudent.
 3. **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Securities shall not be sold prior to maturity with the following exceptions:
 - A security with declining credit may be sold early to minimize loss of principal.
 - A security trade will improve the quality, yield, or target Duration in the portfolio.
 - Liquidity needs of the portfolio require that the security be sold.

IV. Standards of Care; Ethics; Internal Controls

1. **Prudence.** The standard of care to be used by the Custodial Officer and Custodial Officer's designees shall be the "prudent investor" standard and shall be applied in the context of managing all aspects of the portfolio.

The "prudent investor" standard requires investments to be made with judgment and care, under circumstances, then prevailing. The standard requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.

The Custodial Officer (Oregon Revised Statutes 294.004 (2)) and the Custodial Officer's designees acting in accordance with the prudent investor standard, this Policy, written policies and procedures ORS 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 these deviations and losses are reported in a timely fashion and actions are taken to control adverse developments in accordance with this Policy.

2. **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 that could impair their ability to make impartial decisions. Employees and investment officials shall disclose in writing to the Custodial Officer any material interests in financial institutions that conduct business with the City. They shall further disclose in writing annually to the Custodial Officer any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with ORS Chapter 244, Salem Revised Code, Chapter 12, and Human Resource Rule Section 8.2 (m).

3. **Internal Controls.** The Custodial Officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of the City from loss, theft, or misuse. The concept of "reasonable protection" recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by the Custodial Officer. Accordingly, the Custodial Officer shall establish a process for an annual independent review by an external auditor to assure compliance with this Policy and the internal controls established by the Custodial Officer. The internal controls should address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Confirmation of transactions for investments and wire transfers
- Custodial safekeeping
- Avoidance of physical delivery of securities whenever possible
- Address control requirements for physical delivery where necessary
- Clear delegation of authority to subordinate staff members
- Development of a wire transfer agreement with the lead bank and third-party custodian and implementation of the appropriate safeguards
- Compliance and oversight with investment parameters including diversification and maximum maturities
- Staff training
- List of approved Brokers-Dealers, safekeeping and financial institutions

V. Authorized Financial Institutions, Brokers-Dealers, Investment Advisers, and Depositories

1. **Authorized Financial Institutions and Brokers-Dealers.** The Custodial Officer shall maintain a list of financial institutions and brokers/dealers authorized to provide investment services. The list of approved financial institutions and brokers/dealers shall be selected through a process that ensures due diligence in the selection process. Financial institutions and brokers/dealers may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Regional brokers and dealers must have an office in Oregon in order to be considered for doing business with the City. The City will limit all security purchases to financial institutions and brokers/dealers on the approved list. Additions or deletions from the list shall be made at the Custodial Officer's discretion.

All financial institutions and Brokers-Dealers who desire to be considered for investment transactions, must supply the following, in writing (electronic delivery is acceptable):

- Audited financial statements
- Proof of Financial Industry Regulatory Authority, Inc (FINRA) registration

- Proof of state licensing
- Completed Broker-Dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City's investment Policy
- Evidence of adequate insurance coverage

An annual review of the financial condition and registration of financial institutions and brokers/dealers on the list shall be conducted by the Custodial Officer.

If the City utilizes an external investment adviser, the adviser is authorized to transact with its own approved Broker-Dealer list on behalf of the City. The adviser will perform all due diligence for the Brokers-Dealers on its approved list. The adviser will annually provide the City their approved Broker-Dealer list so that the Custodial Officer may conduct its own review.

2. **Investment Adviser.** The Custodial Officer may engage the services of an external investment adviser to assist in the management of the City's investment portfolio. All investment transactions executed by the external investment adviser on behalf of the City must be consistent with this Policy and be pre-approved in writing by the Custodial Officer.

A list will be maintained of approved external investment advisers selected by the Custodial Officer using a fair selection process. An annual review of all external investment advisers shall be conducted by the Custodial Officer to determine their continued eligibility with the requirements below. All investment advisers shall:

- a. Be registered with the Securities and Exchange Commission (SEC) or licensed by the State of Oregon; (Note: Investment adviser firms with assets under management > \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon).
- b. Have certified that all of the representatives of the investment adviser who conduct investment transactions on behalf of this entity have read, understood and agreed to comply with this Policy.

If the City uses an external investment adviser, the adviser is authorized to enter into transactions with its own approved Broker-Dealer list on behalf of the City. The adviser shall perform all due diligence for all brokers/dealers on its approved list. The external investment adviser shall annually provide the City its approved Broker-Dealer list so that the Custodial Officer may conduct his or her own review.

3. **Delivery vs. Payment (DVP).** The Custodial Officer shall not pay for/deliver any securities until the Custodial Officer has received sufficient evidence of title/funding to the securities. Evidence of title must be consistent with modern investment, banking and commercial practices as specified in ORS 294.145 (4) and (5).
4. **Safekeeping.** Securities shall be held by an independent third-party safekeeping institution selected by the Custodial Officer. The Custodial Officer shall maintain a list of safekeeping institutions eligible to conduct business with the City. The safekeeping institution shall, upon request, provide a copy of its most recent report on internal controls – Statement on Standards for Attestation Engagements (SSAE) No. 16.

VI. Authorized Investments

1. *Investment Types.* The following securities are permitted under this Policy as allowed by ORS 294.035 and 294.810. If additional types of securities become eligible for investment under Oregon law, investment in such securities shall not be permitted until this Policy has been amended.

- a. **U.S. Treasury and Government Agency Obligations.** Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government and obligations whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government.
- b. **Oregon Short-Term Fund (OSTF)/Local Government Investment Pool (LGIP).** Oregon managed portfolio offered to governmental entities for the investment of public funds.
- c. **Repurchase Agreements.** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date. As provided in ORS 294.035(3)(j), only U.S. treasury obligations and government agency issues described in paragraph (a) of this subsection that are limited in maturity to three years and priced according to percentages prescribed by written Policy of the Oregon Investment Council or the Oregon Short-Term Fund Board may be used in conjunction with a Repurchase Agreement.
- d. **Bankers' Acceptances.** A draft or bill of exchange drawn upon and accepted by a bank. Used as a short-term credit instrument, Bankers' Acceptances are traded at a Discount from face value as a money market instrument on the basis of the credit quality of the guaranteeing bank. Bankers acceptances must be: (i)Guaranteed by, and carried on the books of, a qualified financial institution; (ii)Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.
- e. **Corporate Indebtedness.** Commercial Paper and Medium Term Corporate Notes 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. Corporate indebtedness described in this paragraph does not include bankers acceptances. The corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution, including a holding company owning a majority interest in a qualified financial institution.
- g. **Municipal Debt.**
 - i. Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A, or an equivalent rating or better, or are rated on the settlement date in the highest category for short-term municipal debt by a Nationally Recognized Statistical Rating Organization.
 - ii. Lawfully issued debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a Nationally Recognized Statistical Rating Organization.
- h. **Time Deposit Accounts, Certificates of Deposit, and Deposit Accounts.**

- i. Deposits in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the insured institution or credit union maintains a head office or a branch in Oregon.
- ii. Certificates of Deposit placed through deposit placement services, such as the Certificate of Deposit Account Registry Service (CDARS), are allowable so long as they comply with the requirements under ORS 295.004.

2. Percentage of Investments, Maximum Maturity, and Credit Ratings by Type.

Portfolio percentages shall be based on the Market Value of the investments at time of purchase. The maximum portfolio percentages for investments of surplus funds are as follows:

Security	Maximum % of Total Portfolio	Maximum Maturity	Credit Requirements
US Treasury Obligations	Up to 100 %	5 years	-
US Government Agency Issues	Up to 100 % and 33 % per issuer	5 years	-
U.S. Instrumentality Debt	Up to 10% and 3% per issuer	5 years	AAA or A-1+ or equivalent
OSTF/LGIP	Statutory Limit (ORS 294.810)	-	-
Repurchase Agreements	Up to 10 % and 5 % per issuer	90 days	Collateral securing repo and margin requirements
Bankers' Acceptances	Up to 20 % and 10 % per issuer	6 months	A-1/P-1
Medium Term Corporate Notes	Up to 35% and 5% per issuer	5 years	"AA" or equivalent, or "A" or equivalent if the issuer is meets the requirements of ORS 294.035(3)(i)(C)(i)
Commercial Paper		270 days	A-1/P-1
Municipal Debt	Up to 10 % and 10% per issuer	5 years	Oregon: "A" CA, WA, ID: "AA"
Time Deposit Accounts (CDs)	Up to 25 % and 10 % per issuer	2 years	Collateral requirements per ORS Chapter 295
Deposit Accounts	Up to 100%	-	Collateral requirements per ORS Chapter 295

The maximum percent of Callable Securities in the portfolio shall be 25%.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular investment type may be exceeded at a point in time subsequent to the purchase of a specific security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to liquidation of that security when future liquidations are made.

3. **Credit Ratings.** Investments must have a rating from at least one Nationally Recognized Statistical Ratings Organizations, including, but not limited to, Moody's, Standard & Poor's, or Fitch Ratings Service.
 - a. The minimum weighted average credit rating of the portfolio's rated investments shall be "Aa" by Moody's Investors Service; "AA" by Standard & Poor's; and "AA" by Fitch Ratings Service. Credit rating levels apply to the security on the transaction's settlement date.
 - b. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Custodial Officer shall evaluate the downgrade on a case-by-case basis and determine whether the security should be held or sold. The Custodial Officer shall apply the general objectives of safety, liquidity, and yield in making such determination. That determination shall be documented in the quarterly report.
4. **Collateralization.** Cash management tools, defined as bank deposits, time deposits, Certificates of Deposit, and savings accounts, shall be held in qualified Oregon depositories which have met Oregon's Collateralization requirements per ORS Chapter 295. The Custodial Officer is responsible for the quarterly review of the State or Oregon's Approved Banking Institution list to ensure that banks in which such deposits and accounts are being held are on the approved list. The State of Oregon must be notified of changes in banking institutions.

VII. Investment Parameters

1. **Diversification.** Investments shall be diversified by:
 - Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding government securities).
 - Limiting investment in securities that have high credit or interest risks.
 - Investing in securities with varying maturities.
 - Continuously investing a portion of the portfolio in readily available funds such as the OSTF/LGIP.
2. **Liquidity Requirements and Maturity Limits.** At all times, the City will maintain a minimum amount of funds to meet liquidity needs for the next three months. 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 Maturity of the City's portfolio shall at no time exceed 2.5 years.
3. **Bond Covenant Restrictions.** The investment of bond proceeds are restricted under bond covenants and tax laws that may be more limiting than this Policy. Bond proceeds shall be invested in accordance with the most restrictive parameters of this Policy and the applicable bond covenants and tax laws.
4. **Bids and Offers.** Each investment transaction shall be competitively transacted with financial institutions or Brokers-Dealers on the approved list. The Custodial Officer shall maintain a transaction record of each investment transaction. Competitive bids or offers should be obtained, when possible, from at least three financial institutions or Brokers-Dealers. In the event competitive bids or offers are not sought, the decision to do so shall be documented by the Custodial Officer. If the Custodial Officer uses an investment adviser, the investment adviser must retain documentation of competitive pricing execution on each transaction and provide such documentation to the Custodial Officer upon request.

5. **Settlement Restrictions.** Pursuant to ORS 294.145, the Custodial Officer is prohibited from making 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.
6. **Compliance Maintenance and Monitoring.** Compliance with this Policy shall be maintained and be integral to each investment decision. Compliance status shall be reported to the Finance Committee at least quarterly, as described in Section IX. Out of compliance instances shall be reported to the Custodial Officer in a timely manner. The Custodial Officer shall determine the cure for non-compliance that is in the best interest of the City. Such action may include holding the investment to maturity, liquidating the investment, reversing the purchase, or adjusting future allowable investments until compliance is achieved.

VIII. Prohibited Investments

Investment in the following securities is prohibited:

1. Private placement of "144A" securities. "144A" securities include Commercial Paper issued under Section 4(2)144A (also known as "4(2)A" of the Securities Act of 1933).
2. The City shall not lend securities nor directly participate in a securities lending program.
3. Reverse Repurchase Agreements.
4. Mortgage-backed securities.
5. Stock in any joint company, corporation or association.

IX. Reporting and Performance Standards

1. **Methods.** Except where legally required to hold separate funds, the City will consolidate cash balances from all funds to maximize investment earnings. Net investment income will be allocated to the various funds at least quarterly based on their respective cash balances and in accordance with generally accepted accounting principles.

The Custodial Officer shall review a monthly investment management report that provides an analysis of the status of the current investment portfolio and transactions made over the last month. The report shall be provided to the Custodial Officer within a reasonable time after the previous reporting period end and shall include the following:

- List of transactions occurring during the reporting period
- List of individual securities held at the end of the reporting period, including security type, maturity date and call date
- Percentage of the total portfolio that each type of investment represents
- Weighted Average Maturity of the portfolio

The Custodial Officer shall provide a quarterly investment report to the Finance Committee, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. The report shall be provided within a reasonable time after the quarter end and shall include everything contained in the monthly report and the following:

- Status of compliance with this Policy
- Book yield during the reporting period
- Market value of portfolio holdings at the end of the reporting period

- Performance of the portfolio relative to benchmark(s), as appropriate
- 2. **Performance Standards.** The investment portfolio shall be managed in accordance with this Policy. The Custodial Officer shall establish an appropriate benchmark or benchmarks, as appropriate, for investment parameters that reflects the types and maturities of investment allowed under this Policy. The Custodial Officer shall compare portfolio performance to the benchmark or benchmarks on a quarterly basis. It is anticipated the portfolio should attain a benchmark average rate of return over time. Factors influencing performance deviations shall be described by the Custodial Officer in the quarterly reports to the Finance Committee.

X. Policy Adoption and Re-adoption

1. This Policy may be reviewed by the vote of a majority of the Finance Committee. Changes shall be adopted by the City Council as amendments to this Policy. The data contained in the appendices to this Policy may be updated by the Custodial Officer as necessary, provided the changes in no way affect the substance or intent of this Policy.
2. OSTF Board review shall be requested for any material changes (e.g. changes in investment parameters, portfolio Duration, compliance issues, etc.) to this Policy.

Appendix I – Glossary

Bankers Acceptances: A draft or bill of exchange drawn upon and accepted by a bank. Appropriate if guaranteed by, and carried on the books of, a qualified financial institution; eligible for Discount by the Federal Reserve System; and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more Nationally Recognized Statistical Rating Organizations (NRSRO).

Brokers-Dealers: A bank or securities Broker-Dealer that is permitted to trade directly with the Federal Reserve System. Such firms are required to make bids or offers when the Federal Reserve System conducts open market operations, provide information to the Federal Reserve System's open market trading desk, and to participate actively in Treasury auctions.

Bullet Notes/Bonds: Notes or Bonds that have a single maturity date and are non-callable.

Callable Securities: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Certificates of Deposits (CD): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC up to \$250,000. The term of a CD generally ranges from one month to five years.

Certificate of Deposit Account Registry Service (CDARS): A private service that breaks up large deposits (from individuals, companies, nonprofits, public funds, etc.) and places them across a network of banks and savings associations around the United States. Allows depositors to deal with a single bank that participates in CDARS but avoid having funds above the FDIC deposit insurance limits in any one bank.

Collateralization: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper: Short term unsecured promissory note issued by a company or financial institution. Issued at a Discount and matures for Par or face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more NRSROs.

Coupon Rate: Annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Risk: 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.

Custodial Officer: The City has designated the Financial Operations Manager as the Custodial Officer for the City's funds.

Custodial Risk: Custodial Risk, or Custodial Credit Risk, is the risk of loss associated with the counter-party's (any entity that obtained the investment on a public entity's behalf) failure.

Discount: The amount by which the Par Value of a security exceeds the price paid for the security.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. The Duration of a security is a useful indicator of its price volatility for a given change in interest rates.

Government-Sponsored Enterprise: A privately owned entity subject to federal regulation and supervision that was created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S.

Government. For this reason, these securities typically offer a yield premium over Treasuries. Examples of GSEs include: Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal Farm Credit Bank (FFCB), and Federal National Mortgage Association ("FNMA").

Interest Rate Risk: The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Liquidity Risk: Liquidity Risk is the risk that an investment may not be easily marketable or redeemable.

Local Government Investment Pool (LGIP): The state or Local Government Investment Pool offered to public entities for the investment of public funds.

Market Value: Current market price of a security.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. Designated NRSROs include, but are not limited to, Standard & Poor's, Fitch, and Moody's.

Oregon Short-Term Fund (OSTF): A Local Government Investment Pool organized pursuant to ORS 294.805 through 294.895. Participation in the pool will not exceed the maximum limit annually set by ORS 294.810.

Par Value: Face value, stated value or maturity value of a security.

Repurchase Agreements: An agreement whereby the Custodial Officer purchases securities from a financial institution or securities dealer subject to an agreement by the seller to repurchase the securities. The Repurchase Agreement must be in writing and executed in advance of the initial purchase of the securities that are the subject of the Repurchase Agreement.

Secondary Market: Markets for the purchase and sale of any previously issued financial instrument.

Treasury Bills (T-Bills): Short-term direct obligations of the United States Government issued with an original term of one year or less. Treasury Bills are sold at a Discount from face value and do not pay interest before maturity.

Treasury Bonds (T-Bonds): Long-term interest-bearing debt securities backed by the U.S. Government and issued with maturities of ten years and longer by the U.S. Department of the Treasury.

Treasury Notes (T-Notes): Intermediate interest-bearing debt securities backed by the U.S. Government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury.

Weighted Average Maturity (WAM): The average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio.

Yield to Maturity (YTM at Cost): The percentage rate of return paid if the security is held to its maturity date at the original time of purchase. The calculation is based on the Coupon Rate, length of time to maturity and original price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate. The Yield at Cost on a security remains the same while held as an investment.

Appendix II: Authorized Finance Staff by Title

Financial Operations Manager

Deputy City Manager

Financial Reporting Manager

Treasury Supervisor

Accounting Supervisor