



## Staff Report

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**File #:** 18-135

**Version:** 1

**Date:** 3/26/2018

**Item #:** 3.2 b.

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**TO:** Mayor and City Council

**FROM:** Salem City Council Finance Committee

**SUBJECT:**

Amending Council Policy No. C-7, Investment Policy and Portfolio Guidelines.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

**ISSUE:**

Shall the City Council adopt Resolution No. 2018-17 amending Council Policy No. C-7, Investment Policy and Portfolio Guidelines?

**RECOMMENDATION:**

Adopt Resolution No. 2018-17 amending Council Policy No. C-7, Investment Policy and Portfolio Guidelines.

**SUMMARY AND BACKGROUND:**

The City's investment portfolio is governed by Oregon Revised Statutes (ORS) Chapter 294 and Council Policy C-7. The purpose of the policy is to establish investment objectives, provide guidelines, and set forth responsibilities and reporting procedures necessary for the prudent management and investment of funds of the City and Urban Renewal Agency.

**FACTS AND FINDINGS:**

The City Council Finance Committee reviewed the proposed changes to the Policy at its March 19, 2018 meeting, and approved forwarding the changes to the City Council for consideration. Proposed revisions to the Policy (Attachment 2):

1. Title change for Custodial Officer: Under section *II. Delegation of Authority*, the Custodial Officer is currently designated as the Financial Services Administrator. The proposed change

designates the Financial Operations Manager as the Custodial Officer as defined in ORS 294.004(2).

2. Definition revision for Standard of Care: The policy refers to the “prudent person” standard when managing the investment portfolio. The proposed change to section *IV. Standards of Care; Ethics; Internal Controls*, references the “prudent investor” standard, which aligns the Council Policy language to the language contained in ORS 293.726 (Administration of Public Funds).
3. Clarification of Performance Standards: The term “as appropriate” has been added to section *IX. Reporting and Performance Standards*. This clarification allows for flexibility when determining the appropriate investment benchmark based on the structure of the portfolio. For example, bond proceeds are invested to meet a targeted cash flow and maturity schedule, and it is not necessarily appropriate to establish a performance benchmark.
4. Updates to Authorized Finance Personnel: Policy Appendix II, *Authorized Finance Staff by Title*, lists the Finance personnel who are authorized by the Custodial Officer, with the City Manager’s consent, to invest City funds. The proposed changes to titles for Appendix II include: Financial Operations Manager, Deputy City Manager, Financial Reporting Manager, Treasury Supervisor, and Accounting Supervisor

Policy C-7 was last adopted in 2016. The Administrative Services Department and Finance Division have been reorganized, and titles for the Custodial Officer and Authorized Finance Staff listed in Appendix II of the Policy have changed. Per ORS 294.135(a), any material changes to the policy need to be reviewed and approved by the Oregon Short Term Fund Board (OSTF) prior to adoption of the policy change. The proposed changes have been reviewed by the City’s investment advisor, PFM Asset Management, and by staff at the Oregon Treasurer’s Office to confirm that the changes proposed are not material in nature, and do not require OSTF Board review.

David Lacy  
Financial Operations Manager

Attachments:

1. Resolution No. 2018-17 Amending Council Policy C-7.
2. Council Policy C-7 with Amendments (Resolution Exhibit A).
3. Council Policy C-7 with Amendments (Redline Changes).
4. Staff Report Dated February 8, 2016, Relating to the Adoption of Council Policy C-7.