

**EUGENE WATER & ELECTRIC BOARD  
REGULAR SESSION  
EWEB BOARD ROOM  
500 EAST 4TH AVENUE  
September 4, 2018  
5:30 P.M.**

**Commissioners Present:** John Brown, President; Sonya Carlson, Vice President; Dick Helgeson, Steve Mital, John Simpson, Commissioners

**Others Present:** Frank Lawson, General Manager; Susan Ackerman, Chief Energy Officer; Aaron Balmer; Senior Accounting Analyst; Matt Barton, Chief Information Officer; Sarah Gorsegner, Purchasing and Warehouse Supervisor; Rene Gonzalez, Customer Solutions Manager; Deborah Hart, Interim Finance Manager; Jason Heuser, Policy/Government Affairs Program Manager; Chris Irvin, Senior Engineer; Mike McCann, Generation Manager; Lisa McLaughlin, Environmental Supervisor; Rod Price, Chief Electric Engineering and Operations Officer; Adam Rue, Interim Fiscal Services Supervisor; Ben Ulrich, Interim General Accounting Supervisor; Anna Wade, Business Line Manager

President Brown called the Regular Session to order at 5:30 p.m.

### **Agenda Check**

There were no changes or additions to the Agenda.

### **Items from Board Members and General Manager**

- Vice President Carlson announced she would be attending the upcoming Young Elected Officials town hall meeting, and that she and General Manager Lawson would be attending the River Road Neighborhood meeting.
- Commissioner Simpson reported that LCOG was returning from a summer break to reconvene their regular Board meeting schedule.
- Commissioner Helgeson said he understood there was a neighborhood meeting coming up that included some of his ward, and he asked for more information so that he could attend. He also announced he would be traveling to Walla Walla, Washington next week to attend the North West Public Power Association (NWPPA) meeting.
- President Brown and Commissioner Mital welcomed State Senator, and former EWEB Commissioner James Manning, who was in the audience.

### **Limited Income Initiative Update**

Mr. Gonzalez and Ms. Wade offered the Board an update and PowerPoint presentation on the Limited Income Initiative.

Vice President Carlson wondered about the levelized payment plan. Because it is a look back 12 months, would a ratepayer who previously made an investment, such as a ductless heat pump, have to wait for 12 months to see benefits of said investment?

Ms. Wade replied that there would be a transition period.

Vice President Carlson asked if the ratepayer in question decided to go with another plan other than levelized billing, would there be a transition period between plans.

Ms. Wade said that was a great question. She added that the Limited Income Initiative was still in the works, and a more specific answer to Vice President Carlson's question would be forthcoming.

Vice President Carlson asked if the upcoming meeting between City of Eugene and City of Portland was open to the public.

Ms. Wade said it was, but there was reserved seating.

President Brown asked for the Low Income Initiative's budget, how much of that money was actually going to ratepayers, and how much it was costing the utility to administer it, and how this change may affect it.

Ms. Wade said she did not have figures for the budget billing program at this time.

Mr. Lawson said from a budgetary perspective, he did not believe the changes would be significant enough to affect the overall budget. He said EWEB will continue to fund limited income in all of these areas. However, there is an opportunity to put more of that money into our customers' hands and less into the administration of it.

Commissioner Simpson wondered if it could be confirmed that there would be no annual true-up with this proposal.

Ms. Wade said that was correct.

Commissioner Simpson asked how this proposal would integrate with Advanced Meter Infrastructure (AMI); in particular starting and stopping the program and visibility of the variance between a customer's actual usage and the levelized amount they are paying.

Ms. Wade replied that in terms of start/stop, it would be integrated into the program, assuming a customer would have to sign up for a year and there would be policies in place if that did not happen. With regard to transparency, bill presentment is one topic we have to drill in to. Year over year consumption patterns as well as month over month charges would still be evident on a customer's bill.

Commissioner Mital asked if the "ECC Program" was the \$200 per year that ratepayers would be eligible for.

Ms. Wade said that was correct.

Commissioner Mital posited the Board should have a set of metrics to review before they adopt a particular program. . He asked how ratepayers would be incentivized to participate in the Peak Burden Program.

Ms. Wade said they were evaluating funding options to address arrearages on the front end.

### **Residential Electric Pricing Tiers Presentation**

Mr. Lawson and Mr. Rue offered the board a report and PowerPoint presentation on residential electric pricing tiers.

### **Public Input**

**Tom Mulhern** of Eugene, and Catholic Community Services of Lane County, thanked EWEB for their Limited Income Initiative, and their long-term commitment to assisting ratepayers who were unable to pay their energy bill. He also supported lowering delivery costs.

**Jim Neu** of Eugene, and 350 Eugene, thanked the Board for their desire to flatten their electric billing tiers into a flat rate. He posited that single-tier pricing would incentivize electrification, thereby making electricity competitive with natural gas.

**Lawrence Roper** of Eugene urged EWEB to retain the pricing tiers as they are, because, among other reasons, it allowed rate payers to see that using less is a way to control their bill. He also suggested keeping the water side of the utility in tiered pricing format. He went on to call attention to the impacts of the increasing number of cannabis grows popping up in the area.

**Mary Ellen Bennett** of Eugene, and Lane County Human Services Division, thanked EWEB for its dedication to reduce the cost of its overall budget. She thanked EWEB for committing to maintaining the same level of funding for its low-income customers throughout the process.

**Kath-Ellen Johnson** of Eugene suggested EWEB maintain its current tiered electrical pricing as it motivates ratepayers to economize their electrical usage, and conserve energy. She also asserted that she was against the rate increase that some ratepayers would see under single-tiered electrical pricing.

**Linda Heyl** of Eugene, and 350 Eugene, spoke in support of collapsing electrical pricing tiers. She said that this action by EWEB would help Eugene reach its carbon reduction goals. Ms. Heyl offered 350 Eugene's bedrock position was 100% carbon-free energy; she said she realized this transition would take time, and she thanked EWEB for continuing to do its due diligence to this end.

**Patricia Hine** of Eugene, and 350 Eugene, spoke in support of collapsing electrical pricing tiers. She said it would allow for more electrification, especially for the larger, industrial energy users.

**Senator James Manning III** of Eugene, and the Oregon State Legislature, thanked EWEB for their tireless work, and their dedication to the Eugene community.

**Alex Lockfeld** of Eugene was in support of collapsing electrical pricing tiers. He felt that the collapsing of the electrical pricing tiers was a step in the right direction regarding Eugene's carbon reduction goals.

### **Residential Electric Pricing Tiers Discussion**

Commissioner Simpson pointed out that high-consumption users weren't necessarily wealthy. He added that EWEB staff had done months of research proving that many of EWEB's highest electric consumers were actually low-income individuals with poor insulation in their homes. He concluded that he was in favor of collapsing the electric pricing tiers.

Commissioner Helgeson seconded Commissioner Simpson's sentiment that many high-consumption ratepayers were low-income individuals. Commissioner Helgeson spoke in support of collapsing electric pricing tiers. He posited EWEB should restate their commitment to energy efficiency and conservation in a very visible way, so the community would know the program was still active.

Vice President Carlson said one of the salient reasons she was considering supporting collapsing electric pricing tiers, was the eight times reduction of carbon difference in EWEB's electricity portfolio. She clarified that she sympathized with those electricity users on lower pricing tiers whose consumption was low due to conservation in the home or business.

Commissioner Mital said he appreciated the diversity of opinions on this matter. He said that it was his intention—and that of his colleagues on the Board—to keep the assistance program for low-income EWEB ratepayers intact, although there were concerns with the cost of delivery; Commissioner Mital called upon EWEB's partners to help them keep rates down, so that the assistance for low-income individuals could continue indefinitely. Commissioner Mital said he would like to see something attached to the low-income program which would mitigate the extra cost of the program itself to EWEB

ratepayers; he asked for something of that nature to be brought before the Board in either October or November. He concluded that he was in support of the tier collapse.

President Brown agreed with Commissioner Mital, that EWEB would need to see a reduction in cost of administering the low-income program; although, he said, the utility had no intention of abandoning the program, just they were attempting to bring in as

many resources as possible for the program. President Brown voiced his support for the electric pricing tier collapse.

## **Approval of Consent Calendar**

### **MINUTES**

#### **1. August 7, 2018 Regular Session**

### **CONTRACTS**

**2. ALS Environmental; Eurofins Eaton Analytical, Inc.; and TestAmerica, Inc.** - for Water Quality Analytical Testing Services. \$582,000 (over 5 years). Break-out of awards: \$256,000 (over 5 years) to ALS Environmental for Lot 1; \$316,000 (over 5 Years) to Eurofins Eaton Analytical, Inc. for Lots 2, 3, and 4; \$10,000 (over 5 years) to TestAmerica, Inc. for Lot 5.

**3. Altec Inc.** - for the Use of a Cooperative Contract for the Purchase of a Knuckle Boom Crane. \$360,000.

**4. Beecher Carlson** - for Commercial Insurance Broker Services. \$225,000 (over 5 years).

**5. HD Fowler Company** - for Polymer Concrete Water Meter Boxes. \$2,200,000 (over 5 years).

**6. H&J Construction, Inc.** - for Drain and Pond Improvements at Hayden Bridge Water Filtration Plant. \$426,500.

**7. Owen Equipment Company, an Authorized Dealer of the Federal Signal Corp.** - for the Use of a Cooperative Contract, Sourcewell Contract #122017-FSC for the Purchase of a Truck Mounted, Hydro Excavator. \$400,000.

**8. Pacific Excavation** - for North Bertelsen Road Water Main Replacement. \$545,000.

**9. Sanipac** - for Solid Waste and Recycling Services. \$165,000 estimate (over 5 years).

**10. Wildish Building Company** - for an Increase to an Existing Contract for the Carmen-Smith Turbine Shutoff Valve Installation. \$357,877 (resulting cumulative total \$2,115,366).

### **INTERGOVERNMENTAL AGREEMENTS**

**11. City of Eugene** - Water Pipeline Crossings on Pedestrian Bridges over Amazon Creek. \$170,000 (resulting cumulative total \$360,000)

**12. Lane Council of Governments (LCOG)** - for Geographic Information System (GIS) Services, under the GIS Cooperative Project Agreement. \$400,000 over 5 years (resulting cumulative total \$800,000 over 10 years).

**13. Lane Council of Governments (LCOG)** - for Technical Assistance Activities Related to EWEB's Property Management Systems (complete legacy record digitization project). \$60,000 (resulting cumulative total \$556,500).

**14. Lane Council of Governments (LCOG)** - for Technical Maintenance Activities Related to EWEB's Property Management Systems (emergent work). \$150,000 (over 5 years).

***Commissioner Simpson moved to approve the Consent Calendar minus Items 9, 11, and 12. The motion passed unanimously 5:0.***

#### **Items Removed From Consent Calendar**

President Brown pulled Consent Calendar Item 9. He wondered if EWEB was in the business of giving preference to local companies for contract work

Ms. Gorsegner explained that, as per Oregon Purchasing Rules, local companies are not given preference.

President Brown asserted he would like to see this contract bid upon.

Ms. Gorsegner said the contract could go through a competitive process, and that bidding would have to be done as a Request For Proposal (RFP) if we want to consider factors besides price. If we conduct a straight bid, with minimum qualifications, there would likely be a tie in the pricing as this is a mandated price by the City of Eugene.

Commissioner Simpson offered that he would like to see this contract awarded not based solely on price, but also on other criteria, such as the carbon footprint of each of the companies.

Vice President Carlson asked if the contract could be split so EWEB would receive services for just the Eugene area. She also wondered if EWEB could require the service provider allow material recovery from Dumpsters.

Mr. Price asked the board if they would like all future contracts to be handled in the manner being discussed for this contract.

President Brown said, for him, this was a values issue. He said that EWEB was dedicated to keeping money in the community whenever possible.

Commissioner Mital spoke in support of bidding this contract.

***President Brown moved to approve Consent Calendar Item 9. The motion failed 4:1, with Commissioner Helgeson voting in favor.***

Commissioner Mital pulled Consent Calendar Item 11. He said he was surprised to learn that EWEB was planning on abandoning the exposed pipe in question in place. He wondered if there was a longer-term plan in place.

Mr. Irvin said the City of Eugene was responsible for the pipe in question; he said the City had submitted no permits about removal of the pipe thus far.

Commissioner Mital asserted that it did not feel right to him, for EWEB to leave its unused equipment out for the public to see.

***Commissioner Simpson moved to approve Consent Calendar Item 11. The motion passed unanimously 5:0.***

Mr. Lawson said staff would take this as a follow-up action, and get back to the Board.

Commissioner Helgeson pulled Consent Calendar Item 12. He wondered if it would not be prudent in the future for EWEB to have Geographic Information System (GIS) skills in-house.

Mr. Barton responded that the contract for GIS work with LCOG was an excellent deal for EWEB. He said it makes more sense to consume GIS work as a service from LCOG, rather than having said skills prevalent in-house.

***Commissioner Helgeson moved to approve Consent Calendar Item 12. The motion passed unanimously 5:0.***

## **Break**

President Brown called for a break at 7:35 p.m. The meeting resumed at 7:45 p.m.

## **Legislative & Regional Policy Update**

Mr. Heuser offered the Board an update and PowerPoint presentation on legislative and regional policy.

Vice President Carlson asked if the other groups asked to participate by the Governor's Office were also strong advocates of market-based methods to reduce greenhouse gas emissions.

Mr. Heuser responded that he thought EWEB was the only advocate.

Commissioner Helgeson wondered if the people in the Legislature understood fully the issues at hand.

Mr. Heuser replied that Commissioner Helgeson's question would be easier to answer after the first Tuesday in November.

Mr. Lawson asked where the Bill was headed relative to multi-sector versus energy-only sector, and how that would affect strategy going forward.

Mr. Heuser said the Bill was economy-wide, besides agricultural and forestry.

Commissioner Simpson asked Mr. Heuser if he had heard anything about having to pay a Road Tax for electric vehicles (EVs).

Mr. Heuser said he was not following that issue too closely, but there was an ongoing conversation in the Legislature about how EVs would pay their fair share of the transportation system upkeep.

### **Property Management Program**

Ms. McLaughlin, Mr. McCann, and Ms. Ackerman offered the Board a report and PowerPoint presentation on the property management program.

Vice President Carlson asked if, when people applied for building permits, they reviewed EWEB's easements. She wondered how a church was built in the middle of an EWEB easement.

Ms. McLaughlin said she did not know how that had happened, but typically, potential permittees did review EWEB easements.

President Brown asked about the status of the roundabout discussion with the City of Eugene.

Mr. Lawson said that EWEB was in negotiations with the settlement parties relative to the contaminations on that site and we will not have discussions with the City until that is settled.

Commissioner Mital asked if the 148 acres EWEB was currently seeking to purchase from Weyerhaeuser, included the eight acres EWEB thought it would need for the new substation.

Ms. McLaughlin said that was correct.

Commissioner Mital asked for clarification on the Farming Lease mentioned in the presentation.

Mr. Lawson said the property in question was roughly 50-60 acres near the airport, and EWEB bought it about 15 years ago, for possible expansion in that area.



Ms. McLaughlin added that the land was currently being leased to a farmer.

Commissioner Mital asked if the 148-acre purchase from Weyerhaeuser was to fall through, could they condemn the 8 acres required for the substation.

Ms. McLaughlin said yes, theoretically EWEB could, and would need to make the case and go through the condemnation process.

### **Customer Service Downtown Presence**

Mr. Lawson offered the Board a report and PowerPoint presentation on the possible downtown presence of customer service.

Commissioner Helgeson asked if there would be lucrative uses of the second floor as an alternative to preserving the meeting space.

Mr. Lawson said there was a correlation between the customer service operations from phone to in-person. He added that the possibility did exist to have a call center at a different location, but, given the choice, EWEB would like to have its call center in close proximity to a walk-in space for EWEB ratepayers.

Commissioner Helgeson spoke in favor of retaining the public meeting space at the riverfront location, at least initially.

Commissioner Simpson also spoke in favor of keeping the public meeting space at the riverfront location.

Vice President Carlson wondered if EWEB was still planning to hold onto the properties in question, in order to wait for the riverfront property to be more developed.

Mr. Lawson said that in November, he would bring back that conversation to the Board, and that conversation would be centered around pre-declaring the south building or the entire property as surplus.

Vice President Carlson asked how often the public meeting space was used.

Mr. Lawson replied that the public meeting space was used for trainings, as well as for Board meetings.

Vice President Carlson spoke in support of continuing to analyze the two options Mr. Lawson laid out in his presentation.

Commissioner Mital said he believed a downtown meeting space, and a downtown customer service center would be just as viable as the current meeting space and customer service center at the riverfront facility.

President Brown said, since the riverfront meeting space was only used approximately four hours a month for Board meetings, it didn't make sense to retain it for that purpose.

### **Investment Policy Update**

Ms. Hart, Mr. Ulrich, and Mr. Balmer offered the Board an update and PowerPoint presentation on investment policy.

Vice President Carlson asked staff to highlight the differences from the original draft before they brought this conversation back to the Board.

Commissioner Helgeson asked if there were anything in the investment policy update which would give the Board discretion at the policy level.

Ms. Hart replied there were very little changes from the last draft of the investment policy. She added that it was up to Board discretion to adopt the recommended changes, but those changes were well in the mainstream of investment policies of governmental agencies.

Commissioner Helgeson wondered if EWEB would or would not have an investment advisor.

Ms. Hart said that the employment of an investment advisor was written intentionally to be optional, and to provide flexibility for the utility going forward, in case the need of an outside investment advisor ever arose.

President Brown inquired about EWEB's response to the Advisory Board's concern around the absence of an external investment advisor.

Mr. Balmer explained the context of the meeting in which the Board member pointed out that the policy language was not included. Staff affirmed that EWEB did not currently have an external investment advisor and did not believe it was the intent to pursue one at that time. Since receiving the comment, we have included said language in the policy.

### **Correspondence & Board Agendas**

Mr. Lawson offered the Board a report on Correspondence & Board Agendas.

President Brown asked if EWEB was on track to issue a report on the follow up items for the Carmen Diversion Reservoir sinkholes within the specified 45 days.

Mr. Zinniker said that was correct, we have been working with an independent consultant and will complete that work by the end of the week.

Commissioner Mital referenced a previous letter from FERC regarding a separate issue and wondered about the context as it relates to heightened concerns following the dam incident in California.

Mr. Zinniker responded saying that the sink holes have been known for decades and have been shown to dam safety compliance engineers who visited the site. There is a different atmosphere in the aftermath of the Oroville dam incident. Because of the attributes of Carmen it is categorized as a low hazard site. EWEB is doing important investigative work and will be able to assure FERC that we are managing the situation appropriately.

### **Board Wrap Up**

President Brown stated that he would like a report on the International Paper (IP) spill, and it should include information around equipment malfunction and EWEB's equipment involvement.

General Manager Lawson explained that IP has received a fine, and with that is an appeal period through September 19. EWEB and IP will engage in proactive discussion and actions going forward, however IP was reluctant to begin this dialog until after the report and fine were levied. If they do not appeal, the door will be open to begin discussions.

### **Adjourn**

President Brown adjourned the meeting at 9:23 p.m.

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Assistant Secretary

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President

## **EWEB Board Consent Calendar Request**

*For Contract Awards, Renewals, and Increases*

The Board is being asked to approve a contract with MWA Architects for Architectural and Design Services for a Water Quality Laboratory and Backup Services Building.

Board Meeting Date: 10/2/2018

Project Name/Contract #: Water Quality Lab and Backup Services Building (Design Services) / 032-2018

Primary Contact: Mel Damewood Ext.7145

Purchasing Contact: Collin Logan Ext.7486

### **Contract Amount:**

Original Contract Amount: \$442,377.00

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$442,377.00

**Resulting Cumulative Total:** \$442,377.00

### **Contracting Method:**

Method of Solicitation: Formal Request for Proposals

If applicable, basis for exemption: n/a

Term of Agreement: Through 8/31/20

Option to Renew? Yes

Approval for purchases "as needed" for the life of the Contract Yes  No

Proposals/Bids Received (Range): 3 Proposals Received (QBS process doesn't allow pricing from multiple firms)

Selection Basis: Highest Total Score

### **Narrative:**

#### Operational Requirement and Alignment with Strategic Plan

The existing water quality laboratory (lab) at the Hayden Bridge Filtration Plant is a state certified lab and is essential to ensuring customers continue to receive high quality water. The existing lab is and has been in the same space in the Headhouse of the treatment plant since the plant's construction in 1950. The needs of the lab have increased over time due to the ever increasing water quality regulations and the associated testing requirements. These requirements have pushed the lab to the limits of the space available. In addition, many of the equipment and building facilities supporting the lab to ensure proper air quality and cleanliness are at the end of useful life.

Due to the above, EWEB initiated a study in 2011 to evaluate alternatives to replace the lab. These alternatives included both retrofitting the Headhouse and building a new building. The final report recommended a new building and this project has been in the water capital improvement program since then.

Unrelated to the lab, with the pending consolidation of staff at the Roosevelt Operations Center (ROC), a decision was made to move primary dispatch, power trading, and the data center to the ROC where backup facilities were previously. This in turn required space to be found for the backup facilities, and a decision was made to consolidate the backup facilities with the lab in the new building at Hayden Bridge.

#### Contracted Goods or Services

MWA Architects and their team will provide architectural and engineering services for a new building to be constructed at the Hayden Bridge Filtration Plant. The new building will house a water quality laboratory and backup facilities for EWEB's power trading, dispatch, and data center functions.

Prior Contract Activities

EWEB has not had any direct prior contract activities with the selected firm. They have been part of larger teams on EWEB projects which were successful.

Purchasing Process

In June 2018, Staff issued a formal request for proposals seeking responses from firms specializing in architectural and engineering design to provide designs and continuing project support for a new water quality lab and backup services building. Staff utilized the Qualifications-Based Selection (QBS) procurement process for the competitive selection of architectural and engineering services under which the most appropriate professional or firm is selected based on qualifications such as knowledge, skill, experience, and other project-specific factors, rather than on fees. Fair and reasonable fees are negotiated with the top-ranked firm for an agreed-upon scope of services. These fees are not available to the evaluating team until after they have evaluated and ranked each proposal. MWA Architects delivered the top-ranked proposal and their pricing is the only pricing available. Three proposals were received, one each from MWA Architects, LA Kersh, and Loren Berry. After scoring based on evaluation criteria that included design approach, project experience, and project team experience, the committee reached consensus that MWA Architects provided the best proposal to fit the needs of the project.

Bidder/Proposer Information

MWA Architects  
LA Kersh Architecture, Inc.  
Loren Berry Architect

Bidder/Proposer Location

Portland, OR  
Eugene, OR  
Springfield, OR

Competitive Fair Price (If less than 3 responses received)

N/A

**ACTION REQUESTED:**

Management requests the Board approve a contract with MWA Architects for \$442,377. Due to the different water and electric facilities located within the structure funding will be split between water (68%) and electric (32%). Funding to start design is included in the 2018 budget for both utilities funds is in the CIP for both utilities for design and construction in 2019 and 2020.

## **EWEB Board Consent Calendar Request**

*For Contract Awards, Renewals, and Increases*

The Board is being asked to approve a contract with R2 Resource Consultants, Inc. for engineering services.

Board Meeting Date: 10/2/2018

Project Name/Contract #: Analysis of Operational Modifications to Pass the PMF at Smith Dam

Primary Contact: Cheri Wilson Ext.7458

Executive Team Leader: Susan Ackerman Ext.7185

### **Contract Amount:**

Original Contract Amount: \$24,000 (original) plus \$86,000 (amendment) equals \$110,000 total

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0

Amount this Request: \$205,000

**Resulting Cumulative Total:** \$315,000

### **Contracting Method:**

Method of Solicitation: Direct Negotiation

If applicable, basis for exemption: Sole Source

Term of Agreement: September 13, 2017 to April 19, 2019

Option to Renew? No

Approval for purchases "as needed" for the life of the Contract Yes  No

Proposals/Bids Received (Range): N/A

Selection Basis: N/A

Narrative:

### Operational Requirement and Alignment with Strategic Plan

The FERC requires that EWEB maintain up to date analysis and an accurate model of Probable Maximum Flood (PMF) flow routing through the Carmen-Smith Project (Project). This requirement is intended to confirm the adequacy of flood passage facilities and flood flow management protocols at the Project. Earlier this year, an update of the PMF analysis and model for Smith Dam revealed that 1998 analysis and modeling work was outdated and underestimated the PMF inflow to Smith Reservoir. As a result of that finding, the FERC has directed EWEB to conduct similar updates to the PMF analysis and modeling for Carmen Diversion and Trail Bridge Reservoirs. This contract will enable EWEB to maintain compliance with FERC dam safety requirements and supports EWEB efforts to maintain safe and reliable operation of the Project.

### Contracted Goods or Services

This contract amendment procures expert consulting engineering services to update hydrologic analyses and model PMF flow management through the Project. The consultant's scope of work includes updating the stage/storage curves for each reservoir, recalculating the Probable Maximum Precipitation (PMP) that drives the PMF using updated FERC guidelines, updating spillway discharge curves to reflect recent survey and modeling results, modeling PMF flow routing through the Project, and documenting results in a report for submittal to the FERC.

### Prior Contract Activities

The initial selection process relied on Direct Negotiation with R2 Resource Consultants, Inc. (R2) following the Qualification Based Selection (QBS) process. R2 was selected because of their expertise in the field of hydraulics and hydrology, their highly educated and well-published professional staff, and their reputation for outstanding past performance on EWEB projects. In 2016, R2 completed a project (contract value of \$89k) which utilized computational fluid dynamics (CFD) modeling of the Smith Dam spillway system to reveal that an orifice flow

condition would develop during PMF flow conditions. The orifice flow condition adversely throttles the discharge of peak flood flows from Smith Reservoir, indicating a risk of overtopping at the dam during a PMF (10,000-year return frequency storm). The original scope for this follow-up contract with R2 in 2017 (\$24k value) was to model operational protocols for reservoir level management to determine if the throttling orifice flow conditions could be sufficiently mitigated to reduce the risk of overtopping Smith Dam. After their initial modeling, it became apparent that the modification of operational protocols would not be sufficient to resolve the problem. That initial finding indicated that resolution of the situation would be complex, requiring a multi-phase project that would deal with not only dam safety issues, but several upcoming relicensing projects. In addition, preliminary reviews by the FERC indicated that changes in their guidelines would affect the baseline assumptions for the flood routing. As a result, a prior sole source exemption was granted in 2017 to amend the R2 contract by \$86k to update modeling per current FERC guidelines, bringing the total contract value to \$110,056.10. The sole source approach was selected for expedience, continuity of project data, and the considerable value of the knowledge that R2 engineers had obtained from their work to date. R2 has performed successfully through the first phases of the work, providing the high quality documentation that EWEB needs to satisfy regulatory requirements.

#### Purchasing Process

EWEB now desires to further expand the scope of the original contract to include Carmen Diversion and Trail Bridge, engaging R2 once again and benefiting from their considerable history and knowledge of this work that was gained during their analyses for Smith Dam. EWEB has determined that additional sole sourcing with R2 for the next phase of analysis will be the most cost effective and time efficient approach. Sole sourcing ensures continuity of the new work with the analyses recently completed for Smith Reservoir as needed to meet current FERC requirements.

#### Bidder/Proposer Information

N/A

#### Bidder/Proposer Location

N/A

#### Competitive Fair Price (If less than 3 responses received)

EWEB staff have worked with R2 to negotiate the level of effort and pricing to ensure that their proposal is appropriate for the necessary scope of work. The level of effort required to complete similar analysis and modeling updates for Smith Reservoir is an excellent point of reference. The R2 proposal reflects the value of that work in making the next phases of similar efforts for Carmen Diversion and Trail Bridge more time and cost efficient.

#### **ACTION REQUESTED:**

Management requests the Board approve a contract with R2 Resource Consultants, Inc. for engineering services. Funds for these services were budgeted for 2019. Total department budget for 2019 is \$31.6 million.

## **EWEB Board Consent Calendar Request**

*For Contract Awards, Renewals, and Increases*

The Board is being asked to approve a service contract with USI Insurance Services for Health and Wellness Benefits Broker and Consulting Services.

Board Meeting Date: 10/2/2018

Project Name/Contract #: Health & Wellness Benefits Broker and Consulting Services / 041-2018

Primary Contact: Lena Kostopulos Ext.7466

### **Contract Amount:**

Original Contract Amount: \$250,000 (over five years)

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$250,000

**Resulting Cumulative Total:** \$250,000 (over five years)

### **Contracting Method:**

Method of Solicitation: Formal Request for Proposals

If applicable, basis for exemption: n/a

Term of Agreement: **5 years**

Option to Renew? Yes

Approval for purchases "as needed" for the life of the Contract Yes  No

Proposals/Bids Received (Range): 4 Proposals Received (Range: \$40,000 - \$99,000 annually)

Selection Basis: Highest Scoring

Narrative:

### Operational Requirement and Alignment with Strategic Plan

In June of 2018, Staff requested proposals from employee benefits consulting and actuarial services firms interested in providing health and wellness benefits broker and consulting services. A Request for Proposals was prepared and solicited. Three proposals were received and evaluated. USI Insurance Services, in Eugene, Oregon was determined to be the highest-ranked proposer.

While EWEB is not required to contract with a benefits broker, the vast majority of public employers employ these services because employee benefits programs represent a significant budget expense. Additionally, the complex nature of the benefit market place, risk and compliance issues, expertise in financial consulting, as well as plan design and administration are essential reasons EWEB should employ these services. EWEB has employed the services of a Health Insurance Broker for at least the last 14 years.

Contracting with a Benefit Broker aligns with EWEB's Strategic Plan by providing responsible and sustainable benefit programs that offer robust plan designs with reasonable out of pocket costs and premiums for employees, while balancing the cost of these programs for EWEB rate payers.

### Contracted Goods or Services

USI will provide consulting advice and servicing for all employee benefits on behalf of EWEB including: Medical, Dental and Vision insurance; Life Insurance; Accidental Death and Dismemberment Insurance; Short and Long Term Disability Insurance; Flexible Spending and Wellness benefits. USI will provide strategic planning, plan design administration and claim utilization reports. Additionally, USI will advise EWEB on all insurance selections, attend all EWEB Health Insurance Study Committee meetings, analyze all appropriate risks, provide financial consulting, advise on federal and state compliance, advise on all appropriate cost containment measures with a goal of achieving the most comprehensive coverage at the lowest possible cost. Because of their Eugene presence, USI is able to



attend meetings and provide employee education sessions in person.

Prior Contract Activities

Nov 16, 2010 – Board approved award of RFP 056-2010 for \$290,000 to Wells Fargo for 5-year contract (exp December 2015); July 2014 – Contract Reassigned to USI Insurance Services; Contract extended further three years (through December 2018) with additional \$135,000.

Purchasing Process

In June 2018, Staff issued a formal request for proposals seeking responses from firms interested in providing health and wellness benefits broker and consulting services. Four proposals were received, one each from USI Insurance Services (incumbent), WHA Insurance, Segal Consulting, and Mercer (US) Inc. (incomplete proposal was rejected from scoring). After scoring based on evaluation criteria that included plan design and administration, financial consulting services, and compliance guidance the three-person committee reached consensus that USI Insurance Services provided the best proposal to fit the needs of the project.

Bidder/Proposer Information

USI Insurance Services  
WHA Insurance  
Segal Consulting  
Mercer (US) Inc.

Bidder/Proposer Location

Eugene, OR  
Eugene, OR  
Greenwood Village, CO  
Portland, OR

Competitive Fair Price (If less than 3 responses received)

N/A

**ACTION REQUESTED:**

Management requests the Board approve a contract with USI Insurance Services for Health and Wellness Benefits Broker and Consulting Services. Funds for these services were budgeted for 2018. Total department budget for 2018 is \$2.7 Million.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson  
FROM: Susan Ackerman, Chief Energy Officer  
Adam Rue, Interim Fiscal Services Supervisor  
DATE: October 2, 2018  
SUBJECT: Residential Pricing Tiers  
OBJECTIVE: Approval of Resolution 1821

---

## **Issue**

Whether EWEB should modify the electric residential pricing design to include only a single consumption-based energy charge (tier).

## **Background**

In 2017, EWEB embarked on a comprehensive review of electric residential pricing structures with the assistance of a Customer Pricing Committee. The committee, which included both Commissioner and staff appointed citizens, held a series of in-depth discussions on different pricing scenarios in order to provide thoughtful, independent advice to staff on values, preferences and reasonable tradeoffs among different options. The Board received its first update on this work in August 2017 and staff has provided several presentations at Board meetings in 2018.

- In May 2018, management provided a second update on the Customer Pricing Committee and recommended sharing more information on the committee advice and favored pricing scenarios and trajectory.
- In July 2018, EWEB management recommended approval of changes to pricing tiers and requested feedback on communications plan.
- In August 2018, EWEB management responded to commissioner requests for information to consider water tiered rates. The recommendation was to decouple the water residential tiers discussion from the electric tiers and discuss impacts with the community at a later date.
- In September 2018, EWEB management requested the Board reach consensus on and provide direction to develop a pricing proposal that collapses the residential tiered rate into a single rate.

## **Recommendation**

Management recommends to collapse residential electric energy tiers into a single energy rate for all residential usage.

## **Requested Board Action**

Approval of Resolution 1821

**RESOLUTION NO. 1821  
OCTOBER 2018**

**EUGENE WATER & ELECTRIC BOARD  
RESIDENTIAL ELECTRIC PRICING STRUCTURE**

**WHEREAS**, the Eugene Water & Electric Board (EWEB) is a customer-owned municipal utility chartered to operate and maintain an electric utility system and to provide electric service to customers in Eugene and surrounding areas;

**WHEREAS**, EWEB establishes prices for electric service based on Board-Adopted Pricing Principles, including Cost Basis and Equity;

**WHEREAS**, in 2017, EWEB undertook an examination of its residential electric pricing structure with the assistance of a Customer Pricing Committee;

**WHEREAS**, the Customer Pricing Committee concluded that EWEB should develop a residential electric pricing structure that eliminated the second, higher tiered rate for consumption over 800 kWh per month;

**WHEREAS**, three presentations on a residential electric pricing structure were made on May 1, 2018, July 17, 2018, and September 4, 2018;

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby authorizes the General Manager to develop a residential electric pricing structure with a single price governing all consumption levels and to bring the new pricing structure to the Board for approval along with EWEB's full annual price adjustment in November/December 2018.

Dated this 2<sup>nd</sup> day of October 2018.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

\_\_\_\_\_  
President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its October 2, 2018 Board meeting.

\_\_\_\_\_  
Assistant Secretary



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson  
FROM: Deborah Hart, Interim Finance Manager; Ben Ulrich, Interim General Accounting Supervisor; Aaron Balmer, Senior Accounting Analyst  
DATE: September 21, 2018  
SUBJECT: Investment Policy Update  
OBJECTIVE: Board Action – Approval of Resolution No. 1824

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## **Issue**

At the September 4, 2018 Board meeting, staff presented the draft Investment Policy. Based on Board feedback, a final draft has been prepared for the October 2, 2018 Board meeting. The Investment Policy provides guidance for staff to follow in the execution of investment decisions. If investments are made with a maturity beyond 18 months, ORS 294.135 calls for EWEB to have a written Investment Policy which should be submitted to the Oregon Short Term Fund (OSTF) Board for comment prior to adoption. In addition, the statute requires the Investment Policy to be adopted annually by the EWEB Board.

## **Background**

Financial Policies approved by the Board include an investment policy section (FP 3.3). However, statute requires the Board to approve the detailed Investment Policy on an annual basis. The Investment Policy was reviewed by the OSTF Board in 2000 and again in July 2018. Staff can find no evidence that the detailed Investment Policy has been approved by the Board. There is no penalty associated with non-compliance, and beyond the noted annual approval exception, investment activities have been functioning in accordance with statute.

EWEB's Investment Policy creates the framework for excess cash to be invested and applies to the following funds:

- Trojan General Fund – Funds maintained under a Net Billing Agreement to decommission the Trojan Nuclear Plant (typical balance < \$500,000)
- EWEB Unrestricted Funds – Working cash balances for both utilities
- EWEB Designated Funds – Operating Reserve, Self-Insurance Reserve, Power Reserve, Capital Improvement Reserve, Rate Stabilization Fund, Pension Fund, etc.
- EWEB Restricted Funds – Debt Service Funds, Bond Construction Funds, System Development Charge Reserves, Customer Deposits, Harvest Wind Escrows

The Investment Policy ensures investment objectives are met and the objectives in priority order are

as follows:

- Preservation of invested capital
- Liquidity of funds
- Return on investment/yield

Staff submitted an updated Investment Policy to the OSTF Board in July and received comments in August. As discussed at the September 4, 2018 Board meeting, all OSTF Board comments have been incorporated in the policy except for one that was referencing a repealed statute. The Board did not request any changes to the draft Investment Policy presented at that meeting; however staff was requested to provide a comparison between EWEB's proposed policy and the OSTF sample policy.

### **Discussion**

The comparison between EWEB's proposed policy and the OSTF sample policy has been attached for reference. The black text represents consistent language between the policies. The red text represents EWEB modifications to OSTF guidance and the red text with strikethroughs represents OSTF sample policy language not implemented.

In the draft Investment Policy previously provided to the Board, a paragraph regarding the engagement of investment managers had not been fully incorporated. Staff has incorporated the OSTF sample policy paragraph into section 6.1 of the proposed Investment Policy. EWEB does not currently engage an external investment adviser, however the language has been incorporated should EWEB choose to engage an investment adviser at a future date.

### **Recommendation and Requested Board Action**

Management recommends approval of Resolution No. 1824 to adopt the Investment Policy.

Attachments:

EWEB Investment Policy- Proposed

OSTF Board Review Letter

OSTF Sample Investment Policy

EWEB/OSTF Investment Policy Comparison



**Eugene Water & Electric Board  
Investment Policy  
Revised September 2018**

**Eugene Water & Electric Board  
Investment Policy**

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## **Eugene Water & Electric Board Investment Policy**

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The Eugene Water & Electric Board (EWEB) is chartered by the City of Eugene and is responsible for the operation of the water and electric utilities. The responsibilities delegated to EWEB pursuant to the City's charter are conducted under the direction of a publicly elected Board of five commissioners.

The Electric System and the Water System are accounted for as separate and independent entities. The investment and safeguarding of funds are performed in a joint manner, while maintaining accounting records to properly reflect system ownership.

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

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

### **1.0 GOVERNING AUTHORITY**

EWEB's investment program shall be operated in conformance with Oregon Revised Statutes and applicable Federal Law. Specifically, this Investment Policy is written in conformance with ORS 294.035 (Investment of funds of political subdivisions); 294.040 (Restriction on investments under ORS 294.035); 294.052 (Definitions); 294.135 (Investment maturity dates); 294.145 (Prohibited conduct for custodial officer); and 294.810 (Local governments authorized to place limited funds in pool). All funds within the scope of this policy are subject to regulations established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

### **2.0 SCOPE**

This Investment Policy applies to all cash and cash equivalents, short-term investments, operating and capital improvement funds, and funds restricted for construction purposes by bond indenture or otherwise. Funds held and invested by trustees are excluded from this policy; however, such funds are subject to the rules set forth by the applicable trust indenture, as well as Oregon law.



Portfolios managed by EWEB include:

- Trojan General Fund
- EWEB Unrestricted Funds
- EWEB Designated Funds
- EWEB Restricted Funds

The amount of funds falling within the scope of this policy over the next three years is expected to range between \$120 million and \$220 million.

### **3.0 OBJECTIVES**

The primary objectives, in priority order, of investment activities shall be:

**3.1 Preservation of Invested Capital** Investments shall be undertaken in a manner seeking to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

**3.2 Liquidity** The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Local Government Investment Pool (Oregon Short Term Fund) which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so investments mature concurrent with anticipated demands.

**3.3 Return / Yield (Performance Yardstick)** The investment portfolio shall be designed with the objective of exceeding the one year Constant Maturity Treasury (CMT) rate, as published by the Federal Reserve Board, taking into consideration the safety and liquidity needs of the portfolio. The investment program shall seek to achieve returns above this rate, within the risk limitations described in this policy and prudent investment principles. When comparing the performance of EWEB's portfolio, all fees involved with managing the portfolio shall be included in the computation of the portfolio's rate of return. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

### **4.0 PRUDENCE**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An investment official/officer is someone who has been delegated investing duties by the Treasurer. Investment Officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

The "prudent person" standard 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.”

## **5.0 ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal 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 any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of EWEB. Employees and investment officials shall comply with ORS Chapter 244 (Government Ethics) and any Code of Ethics applicable to employees the Board may adopt in the future.

## **6.0 DELEGATION OF AUTHORITY**

The Treasurer will retain ultimate fiduciary responsibility for invested funds. The Board will receive reports, pursuant to, and with sufficient detail to comply with 294.155 (Annual Audit Report).

This policy shall constitute a written order from the Board, per ORS 294.035 (Investment of Funds of Political Subdivisions), which has final authority in reviewing the managed portfolios. The Treasurer may further delegate authority to invest EWEB funds to additional investment officials. The Treasurer, or an Investment Officer who is responsible for the daily administration of this policy, will administer an active cash management program with the goal of maintaining historical cash flow information such as cash receipts, expenditures, debt service payments and extraordinary expenditures.

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

### **6.1 Investment Committee**

Should investing duties be delegated beyond the Treasurer, an Investment Committee shall be formed. The Investment Committee shall include all personnel to whom significant investment duties have been delegated. The Treasurer shall preside over the Investment Committee, which will meet on a quarterly basis to review EWEB's investment portfolio and cash flow, as well as set short and long term investment strategies.

The Treasurer may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. Investment advisers may be hired on a non-discretionary basis. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer and compliant with this Investment Policy. If EWEB hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of EWEB.

## **6.2 Investment Advisers**

A list will be maintained of approved advisers selected by conducting a process of due diligence.

- i. The following items are required for all approved Investment Advisers:
  - a. The investment adviser firm must 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. All investment adviser firm representatives conducting investment transactions on behalf of EWEB must be registered representatives with FINRA
  - c. All investment adviser firm representatives conducting investment transactions on behalf of EWEB must be licensed by the state of Oregon
  - d. Certification, by all of the adviser representatives conducting investment transactions on behalf of this entity, of having read, understood and agreed to comply with this Investment Policy
- ii. A periodic (at least annual) review of all authorized investment advisers will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. Factors to consider would be:
  - a. Pending investigations by securities regulators
  - b. Significant changes in net capital
  - c. Pending customer arbitration cases
  - d. Regulatory enforcement actions
- iii. The Investment Officer may want to establish guidelines or policy for engaging investment advisers' services that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
  - a. Positive references from at least three other local government clients of a prospective investment adviser firm
  - b. As part of the periodic due diligence review, inquiries with other local government clients of approved investment advisers with regard to their recent experiences with the adviser and any change in the relationship status
  - c. Requirement that approved investment advisers provide notification within 30 days of a relationship termination by an Oregon based local government

- d. Requirement that approved investment adviser provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators
- e. Requirement that prospective investment advisers have an established history of advising local governments with similar amounts of assets under management.

## **7.0 TRANSACTION COUNTERPARTIES AND FINANCIAL INSTITUTIONS**

### **7.1 Broker/Dealers**

Broker/dealers and other financial institutions shall be selected by the Investment Officer on the basis of their expertise in public cash management and their ability to provide service for EWEB's account. It shall be the policy of EWEB to purchase securities only from institutions and firms that meet the following minimum criteria:

- i. Broker/Dealer firms must meet the following minimum criteria:
  - a. Be registered with the Securities and Exchange Commission (SEC);
  - b. Be registered with the Financial Industry Regulatory Authority (FINRA);
  - c. Provide most recent audited financials;
  - d. Provide FINRA Focus Report filings.
- ii. Approved broker/dealer employees who execute transactions with EWEB must meet the following minimum criteria:
  - a. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
  - b. Be licensed by the state of Oregon;
  - c. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this Investment Policy.
- iii. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:
  - a. Pending investigations by securities regulators
  - b. Significant changes in net capital
  - c. Pending customer arbitration cases
  - d. Regulatory enforcement actions

### **7.2 Depositories**

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295 (Depositories of Public Funds and Securities).

### **7.3 Competitive Transactions**

The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

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

When purchasing original issue instrument securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

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

## **8.0 ADMINISTRATION AND OPERATIONS**

### **8.1 Delivery vs. Payment**

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure securities are deposited in EWEB's safekeeping institution prior to the release of funds.

### **8.2 Third-Party Safekeeping**

Securities will be held by an independent third-party safekeeping institution selected by EWEB. All securities will be evidenced by safekeeping receipts in EWEB's name. Upon request, the safekeeping institution shall make available a copy of its report under Statement on Standards for Attestation Engagements (SSAE) No. 18 AT-C sec 320 (Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting).

### **8.3 Internal Controls**

The Treasurer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure 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 annually by the Investment Committee.

The concept of reasonable assurance recognizes 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 at a minimum:

- i.** Compliance with Investment Policy
- ii.** Control of collusion
- iii.** Separation of transaction authority from accounting and record keeping
- iv.** Custodial safekeeping.
- v.** Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
- vi.** Clear delegation of authority to subordinate staff members

- vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
- viii. Dual authorizations of wire and automated clearing house (ACH) transfers
- ix. Staff training
- x. Review, maintenance and monitoring of security procedures both manual and automated

#### **8.4 External Audit**

An external auditor shall provide an annual independent financial audit of EWEB to assure compliance with Oregon state law and EWEB policies and procedures and internal controls. Such audit will include tests deemed appropriate by the auditor.

#### **9.0 SUITABLE AND AUTHORIZED INVESTMENTS**

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810.

EWEB has further defined the eligibility of investment types and transactions as follows:

##### **i. State of Oregon Local Government Investment Pool (LGIP)**

Organized pursuant to ORS 294-805 through 294.895 (Local Government Investment Pool). Participation in the Pool shall not exceed the maximum limit set annually by ORS 294.810 (Local governments authorized to place limited funds in pool). However, this limit may temporarily be exceeded by local governments for 10 business days due to pass-through funds. Investments of debt proceeds subject to arbitrage tracking requirements may be made in the LGIP in excess of the maximum limit as the law allows.

##### **ii. U.S. Treasury Obligations**

EWEB may invest in Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding three years from the date of settlement.

##### **iii. US Government Agency Securities**

Debentures, discount notes, callable securities and stripped principal or coupons with final maturities not exceeding three years issued by US federal agencies and instrumentalities or US government sponsored enterprises (GSE). Qualified agencies include, Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Agricultural Mortgage Corporation (FAMCA), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Resolution Funding Corporation (REFCORP), Financing Corporation (FICO) and Tennessee Valley Authority (TVA).

##### **iv. Commercial Paper**

Purchases of commercial paper must have maturities not exceeding 270 days from the date of purchase, and be issued in United States dollars (\$USD) by a commercial, industrial, or utility business or issued by or on behalf of a financial institution.

Commercial paper must be rated at least A-1 by Standard and Poor's, and P-1 by Moody's, for issuers outside the state of Oregon. Issuers within Oregon must have a Standard and Poor rating of A-2 and a Moody's P-2. Ownership of commercial paper and corporate bonds shall be limited to a combined total of thirty-five percent of the portfolio, with no more than five percent of the portfolio held in any one issuer or its affiliates or subsidiaries.

**v. Corporate Bonds**

Corporate Bonds issued by a commercial, industrial, or utility business or issued by or on behalf of a financial institution must have final maturities not exceeding three years from the date of settlement. Authorized corporate bonds shall be limited to obligations of United States dollar denominated corporations organized and operating within the United States. A bond must have one rating from Standard and Poor's, Moody's, or Fitch, of at least AA, Aa, or AA, respectively. Ownership of corporate bonds and commercial paper shall be limited to a combined total of thirty-five percent of the portfolio, with no more than five percent of the portfolio held in any one issuer or its affiliates or subsidiaries.

**vi. Municipal Debt**

Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions with a long term rating of "single A" (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. Lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho, and Washington and their political subdivisions having a long term rating of "double A" (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.

**vii. Bankers Acceptances**

Authorized Bankers Acceptances must: (a) be guaranteed by and carried on the books of a financial institution located and licensed to do banking business in the State of Oregon. (b) be eligible for discount by the Federal Reserve System; and (c) the institution issuing a letter of credit shall have a short term rating in the highest category by one or more nationally recognized statistical rating organizations. Maturities shall be limited to 180 days from the date of purchase and ownership of bankers acceptances shall not exceed twenty five percent of the portfolio, with no more than ten percent of the portfolio held in any one issuer.

**viii. Time Deposit Open Accounts, Certificates of Deposit, and Savings Accounts**

May only be made in insured institutions as defined in ORS 706.008 (Additional definitions for Bank Act) that maintain an office in Oregon. Certificates of deposit purchased by EWEB shall be FDIC/NCUA insured or collateralized through the state collateral pool in accordance with ORS 295.015 (Maintenance of securities by bank depository) and ORS 295.018 (Increase in required collateral of bank depository). Ownership of time certificates of deposit shall be limited to twenty-five percent of the

portfolio, with no more than ten percent with any one financial institution at the time of purchase, and maturities shall not exceed three years.

### **9.1 Approval of Permitted Investments**

If additional types of securities are considered for investment, per Oregon state statute, they will not be eligible for investment until this policy has been amended and the amended version adopted by the Board.

### **9.2 Prohibited Investments**

Private placement or “144A” Securities are not allowed for purposes of the policy SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.

US agency mortgage backed securities such as those securities issued by FNMA and FHLMC are not allowed.

The Board shall not lend securities nor directly participate in a securities lending program.

### **9.3 Demand Deposits and Time Deposits**

All demand deposits and time deposits (Examples of time deposits are: certificates of deposit and savings accounts) shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

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

## **10.0 RISKS MANAGED**

### **10.1 Credit Risk**

Credit risk is the risk a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

**i. Diversification** It is the policy of EWEB to diversify its investments. Where appropriate, exposures will be limited by security type; maturity; issuance, and issuer. Allowed security types and investment exposure limitations are detailed in the table below.

**ii. Recognized Credit Ratings** Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations (NRSRO): Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.



**iii. Portfolio Average Credit Rating** The minimum weighted average credit rating of the portfolio’s rated investments shall be Aa/AA/AA by Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service respectively.

**iv. Exposure Constraints and Minimum Investment Credit Ratings.**

The following table limits exposures among investments permitted by this policy.

Instrument Diversification

<u>Instrument Type</u>	<u>Maximum % Portfolio</u>	<u>Minimum Ratings Moody’s/S&amp;P/Fitch</u>
US Treasury Obligations	100%	
US Government Agency Securities	100%	
Per Agency	33%	
Oregon Short Term Fund (LGIP) per ORS 294.810	Max allowed	
Commercial Paper	35%	A1/P1/F1
Corporate Bonds	35%	Aa/AA/AA
Municipal Bonds	10%	Aa/AA/AA
Bankers Acceptances	25%	A1+/P1/F1+
Time Certificates	25%	

**v. Determining a Security’s Rating** A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor’s, Moody’s Investor Services and Fitch Ratings respectively.

**vi. Restriction on Issuers With Prior Default History** Per ORS 294.040 (Restriction on investments under ORS 294.035), the bonds of issuers listed in ORS 294.035 (3) (a) to (c) (US Treasury, US Agency, OR/WA/CA/ID municipal securities) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district or city, for a period of five years preceding the date of the investment.

**10.2 Liquidity Risk**

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

**i.** The value of at least 25% of funds available for investing will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than 180 days to provide sufficient liquidity for expected disbursements.

**ii.** Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

Under 6 months	25% minimum
Under 1 year	40% minimum
Under 3 years	100%

iii. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

iv. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.

v. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance. Care should be taken to limit ownership of a particular issuance.

<u>Issue Type</u>	<u>Maximum % of issuance* (PAR)</u>
US Agency Securities	50%
Corporate Debt (Total)	-
Corporate Commercial Paper	100%
Corporate Bonds	25%
Municipal Bonds	25%

**10.3 Interest Rate Risk**

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short term cash needs, and by making longer-term investments only with funds not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.

ii. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk.

iii. No commitments to buy or sell securities may be made more than 14 business days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.

iv. The maximum percent of callable securities in the portfolio shall be 20%;

v. The maximum stated final maturity of individual securities in the portfolio shall be three years, except as otherwise stated in this policy.

vi. The maximum portfolio average maturity (measured with stated final maturity) shall be 1.5 years.

## **11.0 INVESTMENT IN PROCEEDS FROM DEBT ISSUANCE**

Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052 (Definitions). Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 (Definitions) are not subject to this policy's liquidity risk constraints.

## **12.0 INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENT FUNDS**

Pursuant to ORS 294.135(1)(b) (Investment maturity dates), reserve or capital improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use occurring more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

## **13.0 GUIDELINE MEASUREMENT AND ADHERENCE**

### **13.1 Guideline Measurement**

Guideline measurements will use market value of investments.

### **13.2 Guideline Compliance**

i. If the portfolio falls outside of compliance with adopted Investment Policy guidelines or is being managed inconsistently with this policy, the Investment Committee shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Treasurer and General Manager.

iii. Due to fluctuations in the aggregate funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure appropriate diversification is maintained.

## **14.0 REPORTING AND DISCLOSURE**

### **14.1 Compliance**

The Investment Officer shall prepare a report at least quarterly to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report should be made available to the Investment Committee. The report will include, at a minimum, the following:

- i. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- ii. Average maturity of the portfolio at period-end.
- iii. Maturity distribution of the portfolio at period-end.
- iv. Average portfolio credit quality of the portfolio at period-end.
- v. Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio.
- vi. Distribution by type of investment.
- vii. Transactions since last report.
- viii. Distribution of transactions among financial counterparties such as broker/dealers.
- ix. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

### **14.2 Marking to Market**

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

## **15.0 POLICY MAINTENANCE AND CONSIDERATIONS**

### **15.1 Review**

The Investment Policy shall be reviewed at least annually by the Investment Committee to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

The annual review should also serve as a venue to suggest policies and improvements to the investment program.

### **15.2 Exemptions**

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

### **15.3 Policy Adoption and Amendments**

This Investment Policy and any modifications to this policy must be formally approved by the Board as required by statute.

This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the Board, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3) (Investment maturity dates)).

And either:

- A. This policy has never been submitted to the OSTF Board for comment;
- Or
- B. Material changes have been made since the last review by the OSTF Board.

Regardless of whether this policy is submitted to the OSTF Board for comment, this policy shall be re-submitted as required by statute.



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## OREGON SHORT TERM FUND BOARD

8/10/2018

Eugene Water & Electric Board  
Aaron Balmer  
PO Box 10148  
Eugene OR 97440-2148

### **Subject: Eugene Water & Electric Board Investment Policy Review**

Dear Mr. Balmer,

The Eugene Water & Electric Board policy was submitted by Aaron Balmer to the Oregon Short Term Fund ("OSTF") Board ("the Board") for review.

The OSTF Board's statutory obligation is to "review and comment to the governing body" (ORS 294.135(a)) on the written investment policy submitted to the Board. To assist in the policy revision process, the Board developed a model policy laying out the elements it believes are important in policies. These are also the elements against which submitted policies are reviewed. As part of the local government investment policy review process, resources of the Office of the State Treasurer's staff ("Staff") are provided to assist as needed on policy revisions or development.

The Oregon Short-Term Fund Board reviewed the Eugene Water & Electric Board investment policy at the OSTF Board meeting on July 10<sup>th</sup>, 2018 and the Board is pleased to inform you that the statutory policy review requirement has been satisfied.

During the review, the OSTF Board offered the following comments:

- Board Member Wojda commented on the absence of an External Investment Advisor regarding the sample policy.

Mr. Balmer acknowledged that they do not have an External Investment Advisor nor plans to hire one at this time.

- Board Member Sharon Wojda questioned the vagueness of the language used in regards to the decision matrix in the Competitive Transaction Section of the policy.

Mr. Balmer stated that keeping the policy "as is" is what is feasible for them at this time.



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## OREGON SHORT TERM FUND BOARD

- Board Member Wojda suggested that they add back in the sample policy's protective language in regards to "previously held investments" in the Policy Maintenance section of Eugene Water & Electric Board's policy, which protects them going forward to keep them in compliance with the policy.

Mr. Balmer confirmed and thanked her for her feedback.

- Board Member Deanne Woodring suggested that they clarify the investment advisor criteria and that they add in issuer constraints per statute to protect the issuer exposure. Ms. Woodring also noted the buckets on maturities are very tight; buckets of 25% under six months, 40% under one year, 55% under two years and 100% under three years, can be difficult to manage over time. She suggested doing 100% over three years and striking the two-year bucket. Also Ms. Woodring echoed what Board Member Wojda said regarding the addition of language to protect Eugene Water & Electric Board in keeping in compliance within the policy.
- Board Member Darren Bond agreed with everything previously stated and suggested that rather than go through each deviation at this time, that it would be better to include the Staff's recommendations in a letter back to the governing body and allow them to disclose and discuss why they chose not to follow staff recommendations.

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

Sincerely,

Darren Q. Bond  
Deputy Treasurer, Oregon State Treasurer

cc: Eugene Water & Electric Board Member(s)  
Eugene Water & Electric Board Representative Aaron Balmer  
Ms. Angela Schaffers, Oregon State Treasury

**Summary of Oregon State Treasury Staff Comments – Eugene Water & Electric Board Investment Policy Review July 10, 2018**

- [Standards of Care] Governing Body – Staff recommends Eugene Water & Electric Board (EWEB) expand this section to also reference ORS 294.085; see section [V(3)(i)] of the Sample Policy.
- [Transaction Counterparties, Investment Advisors and Depositories] Broker/Dealer Maintenance - Similar to the Sample Policy, [VI(1)(iv)], OST staff recommends EWEB expand this section to include all factors to consider during the periodic review.
- [Transaction Counterparties, Investment Advisors and Depositories] Investment Advisers Criteria – Staff recommends EWEB incorporate this section similar to the Sample Policy; see section [VI(3)].
- [Transaction Counterparties, Investment Advisors and Depositories] Investment Advisers Maintenance – Similar to the Sample Policy, section [VI(3)(ii)], OST staff recommends incorporating this language into EWEB’s policy.
- [Transaction Counterparties, Investment Advisors and Depositories] Competitive Transactions – Staff recommends EWEB include language similar to the Sample Policy, section [VI(5)].
- [Authorized Investments] Specific Investment Products Authorized within IP – Similar to the Sample Policy, section [VIII(1)], OST staff recommends including the ORS references.
- [Authorization & Exposure Constraints] US Agency Obligations, Corporate Debt – Staff recommends EWEB include (Per Agency) Maximum % Holdings for these authorized investments; see section [VIII(1)] of the Sample Policy.
- [Authorized Investments] Cash Vehicles: Bank Demand Deposits vs. Time Deposits & [Authorization] Additional Investments – Similar to the Sample Policy (sections [VIII(2)] and [VIII(4)]), OST staff recommends including these sections.
- [Prohibited Investments] Private Placement or “144A” Securities, US Agency Mortgage-backed Securities, Securities Lending and Reverse Repurchase – OST staff recommends EWEB incorporate these sections in their policy; see section [VIII(3)(iii)] of the Sample Policy.
- [Investment Parameters] Determining a Security’s Rating – Staff recommends EWEB include language similar to the Sample Policy, section [IX(1)(v)].
- [Investment Parameters] Issuance Size – Staff recommends expanding this section to include a breakdown of Issue Type/Maximum % of Issuance, similar to section [IX(2)(v)] of the Sample Policy.
- [Policy Maintenance] Exemptions – Staff recommends including language similar to the Sample Policy; see section [XIV(2)].



## Sample Investment Policy for Local Governments

### I. Purpose

This Investment Policy defines the parameters within which funds are to be invested by [Local Government]. The [Local Government] is a [Type of Local Government] whose purpose is to [Function of Local Government]. This policy also formalizes the framework, pursuant to ORS 294.135, for the [Local Government]'s investment activities to ensure effective and judicious management of funds within the scope of this policy.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

### II. Governing Authority

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

### III. Scope

This policy applies to activities of [Local Government] with regard to investing the financial assets of [operating funds / capital funds / bond proceeds / bond reserve funds]. Funds managed by [Local Government] that are governed by other investment policies are excluded from this policy; however, all funds are subject to Oregon Law. The amount of funds falling within the scope of this policy over the next three years is expected to range between \$xxx million and \$xxx million.

### IV. General Objectives

The primary objectives, in priority order, of investment activities shall be:

**1. Preservation of Invested Capital** Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

**2. Liquidity** The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Short Term Fund which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

**3. Return** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity

## **V. Standards of Care**

### **1. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy. The "prudent person" standard 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."

**2. Ethics and Conflicts of Interest** Officers and employees involved in the investment process shall refrain from personal 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 any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the [\[Local Government\]](#). Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

### **3. Delegation of Authority and Responsibilities**

#### **i. Governing Body**

The [\[Designated Oversight Body or Position\]](#) will retain ultimate fiduciary responsibility for invested funds. The governing body will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.

#### **ii. Delegation of Authority**

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to [\[Designated Position\]](#), hereinafter referred to as Investment

Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

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

### **iii. Investment Committee**

The [Designated Oversight Body or Position] may seek to establish an investment committee to provide guidance to the Investment Officer(s) and monitor investment policy compliance.

### **iv. Investment Municipal Adviser**

The [Designated Oversight Body or Position] may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. Investment advisers may be hired on a non-discretionary basis. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer and compliant with this Investment Policy. If [Local Government] hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of [Local Government].

Note: Oregon Revised Statutes (ORS) do not restrict hiring investment advisers on a discretionary basis. However, the OSTF Board cautions against hiring investment advisers on a fully discretionary basis. Therefore this sample policy only allows for non-discretionary investment advisers.

## **VI. Transaction Counterparties, Investment Advisers and Depositories**

### **1. Broker/Dealers**

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives.

The following minimum criteria must be met prior to authorizing investment transactions. The Investment Officer may impose more stringent criteria.

i. Broker/Dealer firms must meet the following minimum criteria:

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

ii. Approved broker/dealer employees who execute transactions with [Local Government] must meet the following minimum criteria:

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

iii. The Investment Officer may want to establish policy for engaging broker/dealer firms and registered representatives that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:

- A. Positive references from at least three other local government clients.
- B. As part of the periodic due diligence review, inquiries with other local government clients with regard to their recent experiences with broker/dealer firms or registered representatives and any change in relationship status.
- C. Requirement that approved registered representatives provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
- D. Requirement that prospective registered representatives have an established history of advising local governments with similar amounts of assets under management.

iv. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:

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

Professional conduct; regulatory filing history; and registration status for any registered broker/dealer firm or for an individual registered representative can be researched at the FINRA website using the FINRA BrokerCheck® service.

☞ [www.finra.org/Investors/ToolsCalculators/BrokerCheck/](http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/)

Additional information (including state issued Enforcement Orders) on brokers and registered representatives licensed by the state of Oregon may also be obtained from the Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities.

☞ [www.cbs.state.or.us/external/dfcs/](http://www.cbs.state.or.us/external/dfcs/)

## **2. Direct Issuers**

Obligations that are permitted for purchase by this policy may be purchased directly from the issuer.

**3. Investment Advisers** A list will be maintained of approved advisers selected by conducting a process of due diligence.

- i. The following items are required for all approved Investment Advisers:
  - A. The investment adviser firm must 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. All investment adviser firm representatives conducting investment transactions on behalf of [Local Government] must be registered representatives with FINRA.
  - C. All investment adviser firm representatives conducting investment transactions on behalf of [Local Government] must be licensed by the state of Oregon.
  - D. Certification, by all of the adviser representatives conducting investment transactions on behalf of this entity, of having read, understood and agreed to comply with this investment policy.
- ii. A periodic (at least annual) review of all investment advisers under contract will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. Factors to consider would be:
  - A. Pending investigations by securities regulators
  - B. Significant changes in net capital
  - C. Pending customer arbitration cases
  - D. Regulatory enforcement actions
- iii. The Investment Officer may want to establish guidelines or policy for engaging investment advisers' services that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
  - A. Positive references from at least three other local government clients of a prospective investment adviser firm.
  - B. As part of the periodic due diligence review, inquiries with other local government clients of approved investment advisers with regard to their recent experiences with the adviser and any change in the relationship status.

Professional conduct and regulatory filing history for any registered investment adviser or for individual adviser representatives can be researched on the Securities and Exchange Commission's (SEC) Investment Adviser Public Disclosure website. The SEC's Investment Adviser Public Disclosure website provides access to the registration form ("Form ADV") that the adviser filed. Form ADV contains information about an investment adviser and its business operations. Additionally, it contains disclosure about certain disciplinary events involving the adviser and its key personnel. The website also allows users to search for an individual investment adviser representative and view that individual's professional background and conduct, including current registrations, employment history, and disclosures about certain disciplinary events involving the individual.

☞ [www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)

C. Requirement that approved investment advisers provide notification within 30 days of a relationship termination by an Oregon based local government.

D. Requirement that approved investment adviser provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.

E. Requirement that prospective investment advisers have an established history of advising local governments with similar amounts of assets under management.

#### **4. Depositories**

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

#### **5. Competitive Transactions**

i. The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

ii. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.

iii. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. However, the Investment Officer is encouraged to document quotations on comparable securities.

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

#### **VII. Administration and Operations**

##### **1. Delivery vs. Payment**

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in the [Local Government]'s safekeeping institution prior to the release of funds.

##### **2. Third-Party Safekeeping**

Securities will be held by an independent third-party safekeeping institution selected by the [Local Government]. All securities will be evidenced by safekeeping receipts in the [Local Government] name. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

##### **3. Internal Controls**

The investment officer and [Designated Oversight Body or Position] are jointly 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 [Designated Oversight Body or Position].

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 at a minimum:

- i. Compliance with Investment Policy
  - ii. Control of collusion
  - iii. Separation of transaction authority from accounting and record keeping
  - iv. Custodial safekeeping
  - v. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
  - vi. Clear delegation of authority to subordinate staff members
  - vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
  - viii. Dual authorizations of wire and automated clearing house (ACH) transfers
  - ix. Staff training
  - x. Review, maintenance and monitoring of security procedures both manual and automated
4. An external auditor shall provide an annual independent review to assure compliance with Oregon state law and [Local Government] policies and procedures.

### **VIII. Suitable and Authorized Investments**

#### **1. Permitted Investments**

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810. (*Note: Permitted investments may be more restrictive than ORS 294.035 and 294.810*).

- ☑ US Treasury Obligations: U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest.
- ☑ US Agency Obligations: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE).
- ☑ Oregon Short Term Fund
- ☑ Corporate Indebtedness
  1. *Commercial Paper issued under the authority of section 3(a)2 or 3(a)3 of the Securities Act of 1933.*
  2. *Corporate Bonds*
- ☑ Repurchase Agreements
- ☑ Municipal Debt
- ☑ Bankers Acceptances
- ☑ Qualified Institution Time Deposits/Savings Accounts/Certificates of Deposit

A list of Investments allowed under ORS 294.035, 294.040 and 294.810 may be found on the Oregon State Treasury website at the following link:

<http://www.oregon.gov/treasury/Divisions/Investment/Audio/List%20of%20US%20Government%20and%20Agency%20Securities%20for%20Local%20Government%20Investment.pdf>

**2. Approval of Permitted Investments** If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Policy has been amended and the amended version adopted by [Local Government].

### **3. Prohibited Investments**

**i. Private Placement or “144A” Securities** Private placement or “144A” securities are not allowed. For purposes of the policy, SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.

#### **ii. US Agency Mortgage-backed Securities**

US agency mortgage-backed securities such as those securities issued by FNMA and FHLMC are not allowed.

#### **iii. Securities Lending**

The [Local Government] shall not lend securities nor directly participate in a securities lending program.

### **4. Demand Deposits and Time Deposits**

**i.** All demand deposits and time deposits (Examples of time deposits are: certificates of deposit and savings accounts) shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

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

### **5. Repurchase Agreements**

**i.** ORS 294.035 (3)(j) requires repurchase agreement collateral to be 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.

**ii.** ORS 294.135 (2) limits the maximum term of any repurchase agreement to 90 days.

**iii.** The OSTF Board has adopted the following margins:

**A.** US Treasury Securities: 102%

**B.** US Agency Discount and Coupon Securities: 102%

**C.** Mortgage Backed and Other\*: 103%

\*Limited to those securities described in ORS 294.035(1)

## **IX. Investment Parameters**

### **1. 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. Credit risk will be mitigated by the following guidelines:

**i. Diversification**

It is the policy of [Local Government] to diversify its investments. Where appropriate, exposures will be limited by security type; maturity; issuance, issuer, and security type, Allowed security types and Investment exposure limitations are detailed in the table below.

**ii. Recognized Credit Ratings** Investments must have a rating from at least [one/two] of the following nationally recognized statistical ratings organizations (NRSRO): Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

**iii. Portfolio Average Credit Rating** The minimum weighted average credit rating of the portfolio’s rated investments shall be Aa/AA/AA by Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service respectively.

**iv. Exposure Constraints and Minimum Investment Credit Ratings**

The following table limits exposures among investments permitted by this policy.

*(This table contains sample restraints. Local Governments should also consult applicable State Statutes and legal guidelines):* Issue Type

	Maximum % Holdings	Minimum Ratings Moody’s / S&P / Fitch
US Treasury Obligations	100%	None
US Agency Securities	100%	-
Per Agency (Senior Obligations Only)	33%	-
Oregon Short Term Fund	Maximum allowed per ORS 294.810	-
Bankers’ Acceptances	25% <sup>(1)</sup>	A1+/P1/F1+
Time Deposits/Savings Accounts/Certificates of Deposit <sup>(2)</sup>	50%	-
Per Institution		
Repurchase Agreements	5%	-
Corporate Debt (Total)	15% <sup>(3)</sup>	-
Corporate Commercial Paper	15% <sup>(3)</sup>	A1/P1/F1
Per Issuer	2.5% <sup>(4)</sup>	
Corporate Bonds	10% <sup>(3)</sup>	
Per Issuer	2.5% <sup>(4)</sup>	Aa/AA/AA
Municipal Debt (Total)	10%	-
Municipal Commercial Paper	10%	A1/P1/F1
Municipal Bonds	10%	Aa/AA/AA

**v. Determining a Security’s Rating**

A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor’s, Moody’s Investor Services and Fitch Ratings respectively.

**vi. Restriction on Issuers With Prior Default History** Per ORS 294.040, the bonds of issuers listed in ORS 294.035 (3)(a) to (c) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district or city, for a period of five years next preceding the date of the investment.

**2. Liquidity Risk**

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

i. The value of at least 25% of funds available for investing or [three/six/twelve] months of budgeted operating expenditures will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than [30/60/90] days to provide sufficient liquidity for expected disbursements.

ii. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

Total Portfolio Maturity Constraints:

Under [30/60/90] days	25% or [three/six/twelve] months Estimated Operating Expenditures
Under 1 year	50%
Under 3 years	100%

iii. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

iv. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.

v. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance.

Issue Type	Maximum % of Issuance* (Par)
US Agency Securities	50%
Corporate Debt (Total)	-
Corporate Commercial Paper	100%
Corporate Bonds	25%
Municipal Bonds	25%

**3. Interest Rate Risk**

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

- i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
- ii. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk.
- iii. No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.
- iv. The maximum percent of callable securities in the portfolio shall be xx%;
- v. The maximum stated final maturity of individual securities in the portfolio shall be three years, except as otherwise stated in this policy.
- vi. The maximum portfolio average maturity (measured with stated final maturity) shall be 1.5 years.

#### **X. Investment of Proceeds from Debt Issuance**

1. Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.
2. Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not

invested for resale and are maturity matched with outflows. Consequently, funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints within section IX (2).

#### **XI. Investment of Reserve or Capital Improvement Funds**

1. Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

#### **XII. Guideline Measurement and Adherence**

##### **1. Guideline Measurement**

Guideline measurements will use [par/market] value of investments.

##### **2. Guideline Compliance**

i. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the [Designated Oversight Body or Position].

iii. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

#### **XIII. Reporting and Disclosure**

##### **1. Compliance**

The Investment Officer shall prepare a report at least [monthly/quarterly] that allows the [Designated Oversight Body or Position] to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment oversight body. The report will include, at a minimum, the following:

i. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).

ii. Average maturity of the portfolio at period-end

iii. Maturity distribution of the portfolio at period-end

- iv. Average portfolio credit quality of the portfolio at period-end
- v. Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio
- vi. Distribution by type of investment
- vii. Transactions since last report
- viii. Distribution of transactions among financial counterparties such as broker/dealers
- ix. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

## **2. Performance Standards/ Evaluation**

At least annually, the Investment Officer shall report comparisons of investment returns to relevant alternative investments and comparative Bond Indexes. The performance of the portfolio should be compared to the performance of alternative investments such as available certificates of deposit; the Oregon Short Term Fund; US Treasury rates; or against one or bond indices with a similar risk profile (e.g., Bond indexes comprised high grade investments and maximum maturities of three years). When comparing performance, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

## **3. Marking to Market**

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

## **4. Audits**

Management shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

## **XIV. Policy Maintenance and Considerations**

### **1. Review**

The investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

The annual report should also serve as a venue to suggest policies and improvements to the investment program, and shall include an investment plan for the coming year.

### **2. Exemptions**

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

### **3. Policy Adoption and Amendments**

This investment policy and any modifications to this policy must be formally approved in writing by the [Designated Oversight Body or Position] of [Local Government].

This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

i. This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the [Designated Oversight Body or Position], the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)).

And either:

A. This policy has never been submitted to the OSTF Board for comment;

Or

B. Material changes have been made since the last review by the OSTF Board.

Regardless of whether this policy is submitted to the OSTF Board for comment, this policy shall be re-submitted not less than annually to the [Designated Oversight Body or Position] for approval.

#### **XV. List of Documents Used in Conjunction with this Policy**

*(The following is a list of suggested documents that may be used in conjunction with this policy)*

- Listing of authorized personnel
- Relevant investment statutes and ordinances
- Description of benchmark(s)
- Master repurchase agreements and tri-party agreements
- Listing of authorized broker/dealers and financial institutions
- Credit studies for securities purchased and financial institutions used
- Safekeeping agreements
- Wire transfer agreements
- Sample investment reports
- Methodology for calculating rate of return
- Broker confirmations and safekeeping receipts



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Investment Policy  
Revised August 2018**

**Eugene Water & Electric Board  
Investment Policy**

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## **Eugene Water & Electric Board Investment Policy**

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The Eugene Water & Electric Board (EWEB) is chartered by the City of Eugene and is responsible for the operation of the water and electric utilities. The responsibilities delegated to EWEB pursuant to the City's charter are conducted under the direction of a publicly elected Board of five commissioners.

The Electric System and the Water System are accounted for as separate and independent entities. The investment and safeguarding of funds are performed in a joint manner, while maintaining accounting records to properly reflect system ownership.

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

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

### **1.0 GOVERNING AUTHORITY**

EWEB's investment program shall be operated in conformance with Oregon Revised Statutes and applicable Federal Law. Specifically, this Investment Policy is written in conformance with ORS 294.035 (Investment of funds of political subdivisions); 294.040 (Restriction on investments under ORS 294.035); 294.052 (Definitions); 294.135 (Investment maturity dates); 294.145 (Prohibited conduct for custodial officer); and 294.810 (Local governments authorized to place limited funds in pool). All funds within the scope of this policy are subject to regulations established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

### **2.0 SCOPE**

This Investment Policy applies to all cash and cash equivalents, short-term investments, operating and capital improvement funds, and funds restricted for construction purposes by bond indenture or otherwise. Funds held and invested by ~~other investment policies~~ trustees are excluded from this policy; however, such funds are subject to the rules set forth by the applicable trust indenture, as well as Oregon law

## **EWEB Investment Policy**

Portfolios managed by EWEB include:

- Trojan General Fund
- EWEB Unrestricted Funds
- EWEB Designated Funds
- EWEB Restricted Funds

The amount of funds falling within the scope of this policy over the next three years is expected to range between \$120 million and \$220 million.

### **3.0 OBJECTIVES**

The primary objectives, in priority order, of investment activities shall be:

**3.1 Preservation of Invested Capital** Investments shall be undertaken in a manner seeking to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

**3.2 Liquidity** The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Local Government Investment Pool (Oregon Short Term Fund) which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so investments mature concurrent with anticipated demands.

**3.3 Return / Yield (Performance Yardstick)** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles exceeding the one year Constant Maturity Treasury (CMT) rate, as published by the Federal Reserve Board, taking into consideration the safety and liquidity needs of the portfolio. The investment program shall seek to achieve returns above this rate, within the risk limitations described in this policy and prudent investment principles. When comparing the performance of EWEB's portfolio, all fees involved with managing the portfolio shall be included in the computation of the portfolio's rate of return. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

### **4.0 PRUDENCE**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An investment official/officer is someone who has been delegated investing duties by the Treasurer. Investment Officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

## **EWEB Investment Policy**

The "prudent person" standard 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.”

### **5.0 ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal 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 any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of EWEB. Employees and investment officials shall comply with ORS Chapter 244 (Government Ethics) and any Code of Ethics applicable to employees the Board may adopt in the future.

### **6.0 DELEGATION OF AUTHORITY**

The ~~[Designated Oversight Body or Position]~~Treasurer will retain ultimate fiduciary responsibility for invested funds. The ~~governing body~~Board will receive reports, pursuant to, and with sufficient detail to comply with ~~ORS 294.085 and~~ 294.155 (Annual Audit Report).

~~Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to [Designated Position], hereinafter referred to as Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.~~

This policy shall constitute a written order from the Board, per ORS 294.035 (Investment of Funds of Political Subdivisions), which has final authority in reviewing the managed portfolios. The Treasurer may further delegate authority to invest EWEB funds to additional investment officials. The Treasurer, or an Investment Officer who is responsible for the daily administration of this policy, will administer an active cash management program with the goal of maintaining historical cash flow information such as cash receipts, expenditures, debt service payments and extraordinary expenditures.

## *EWEB Investment Policy*

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

### **6.1 Investment Committee**

~~[Designated Oversight Body or Position] may seek to establish an investment committee to provide guidance to the Investment Officer(s) and monitor investment policy compliance. Should investing duties be delegated beyond the Treasurer, an Investment Committee shall be formed. The Investment Committee shall include all personnel to whom significant investment duties have been delegated. The Treasurer shall preside over the Investment Committee, which will meet on a quarterly basis to review EWEB's investment portfolio and cash flow, as well as set short and long term investment strategies.~~

The ~~Treasurer [Designated Oversight Body or Position]~~ may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. Investment advisers may be hired on a non-discretionary basis. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer and compliant with this Investment Policy. If ~~EWEB [Local Government]~~ hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of ~~EWEB [Local Government]~~.

### **2. Direct Issuers**

Obligations that are permitted for purchase by this policy may be purchased directly from the issuer.

~~36.2.~~ **Investment Advisers** A list will be maintained of approved advisers selected by conducting a process of due diligence.

- i. The following items are required for all approved Investment Advisers:
  - a. The investment adviser firm must 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. All investment adviser firm representatives conducting investment transactions on behalf of ~~[Local Government]~~EWEB must be registered representatives with FINRA
  - c. All investment adviser firm representatives conducting investment transactions on behalf of ~~[Local Government]~~EWEB must be licensed by the state of Oregon
  - d. Certification, by all of the adviser representatives conducting investment transactions on behalf of this entity, of having read, understood and agreed to comply with this Investment Policy
- ii. A periodic (at least annual) review of all authorized investment advisers ~~under contract~~ will be conducted by the Investment Officer to determine

## **EWEB Investment Policy**

- their continued eligibility within the portfolio guidelines. Factors to consider would be:
- a. Pending investigations by securities regulators
  - b. Significant changes in net capital
  - c. Pending customer arbitration cases
  - d. Regulatory enforcement actions
- iii. The Investment Officer may want to establish guidelines or policy for engaging investment advisers' services that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
- a. Positive references from at least three other local government clients of a prospective investment adviser firm
  - b. As part of the periodic due diligence review, inquiries with other local government clients of approved investment advisers with regard to their recent experiences with the adviser and any change in the relationship status
  - c. Requirement that approved investment advisers provide notification within 30 days of a relationship termination by an Oregon based local government
  - d. Requirement that approved investment adviser provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators
  - e. Requirement that prospective investment advisers have an established history of advising local governments with similar amounts of assets under management.

## **7.0 TRANSACTION COUNTERPARTIES AND FINANCIAL INSTITUTIONS**

### **7.1 Broker/Dealers**

~~The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives.~~

Broker/dealers and other financial institutions shall be selected by the Investment Officer on the basis of their expertise in public cash management and their ability to provide service for EWEB's account. It shall be the policy of EWEB to purchase securities only from institutions and firms that meet the following minimum criteria:

- i. Broker/Dealer firms must meet the following minimum criteria: ~~The Investment Officer may impose more stringent criteria.~~
  - a. Be registered with the Securities and Exchange Commission (SEC);
  - b. Be registered with the Financial Industry Regulatory Authority (FINRA);
  - c. Provide most recent audited financials;
  - d. Provide FINRA Focus Report filings.
- ii. Approved broker/dealer employees who execute transactions with EWEB must meet the following minimum criteria:

## ***EWEB Investment Policy***

- a. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
- b. Be licensed by the state of Oregon;
- c. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this Investment Policy.
- iii. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:
  - a. Pending investigations by securities regulators
  - b. Significant changes in net capital
  - c. Pending customer arbitration cases
  - d. Regulatory enforcement actions
- ~~iv. The Investment Officer may want to establish policy for engaging broker/dealer firms and registered representatives that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
  - ~~a. Positive references from at least three other local government clients.~~
  - ~~b. As part of the periodic due diligence review, inquiries with other local government clients with regard to their recent experiences with broker/dealer firms or registered representatives and any change in relationship status.~~
  - ~~c. Requirement that approved registered representatives provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.~~
  - ~~d. Requirement that prospective registered representatives have an established history of advising local governments with similar amounts of assets under management.~~~~

### **7.2 Depositories**

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295 (Depositories of Public Funds and Securities).

### **7.3 Competitive Transactions**

The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

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

When purchasing original issue instrument securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. ~~However, the Investment Officer is encouraged to document quotations on comparable securities.~~

## ***EWEB Investment Policy***

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

### **8.0 ADMINISTRATION AND OPERATIONS**

#### **8.1 Delivery vs. Payment**

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure securities are deposited in ~~the [Local Government]'s~~EWEB's safekeeping institution prior to the release of funds.

#### **8.2 Third-Party Safekeeping**

Securities will be held by an independent third-party safekeeping institution selected by ~~the [Local Government].~~EWEB. All securities will be evidenced by safekeeping receipts in ~~the [Local Government]~~EWEB's name. Upon request, the safekeeping institution shall make available a copy of its report under Statement on Standards for Attestation Engagements (SSAE) No. 18 AT-C sec 320 (Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting).

#### **8.3 Internal Controls**

The ~~investment officer and [Designated Oversight Body or Position] are jointly~~Treasurer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure 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 [Designated Oversight Body or Position]~~annually by the Investment Committee.

The concept of reasonable assurance recognizes 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 at a minimum:

- i.** Compliance with Investment Policy
- ii.** Control of collusion
- iii.** Separation of transaction authority from accounting and record keeping
- iv.** Custodial safekeeping.
- v.** Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
- vi.** Clear delegation of authority to subordinate staff members
- vii.** Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
- viii.** Dual authorizations of wire and automated clearing house (ACH) transfers
- ix.** Staff training
- x.** Review, maintenance and monitoring of security procedures both manual and automated

## **EWEB Investment Policy**

### **8.4 External Audit**

An external auditor shall provide an annual independent ~~review~~financial audit of EWEB to assure compliance with Oregon state law and ~~{Local Government}~~EWEB policies and procedures and internal controls. Such audit will include tests deemed appropriate by the auditor.

### **9.0 SUITABLE AND AUTHORIZED INVESTMENTS**

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810. *(Note: Permitted investments may be more restrictive than ORS 294.035 and 294.810).*

EWEB has further defined the eligibility of investment types and transactions as follows:

#### **i. State of Oregon Local Government Investment Pool (LGIP)**

Organized pursuant to ORS 294-805 through 294.895(Local Government Investment Pool). Participation in the Pool shall not exceed the maximum limit set annually by ORS 294.810 (Local governments authorized to place limited funds in pool). However, this limit may temporarily be exceeded by local governments for 10 business days due to pass-through funds. Investments of debt proceeds subject to arbitrage tracking requirements may be made in the LGIP in excess of the maximum limit as the law allows.

#### **ii. U.S. Treasury Obligations**

EWEB may invest in Treasury Bills, Treasury Notes, Treasury Bonds and other government obligations that carry the full faith credit guarantee of the United States for the timely payment of Treasury Strips with maturities not exceeding three years from the date of settlement.

#### **ii-iii. US Government Agency Securities**

Senior Debentures, discount notes, callable securities and stripped principal or coupons with final maturities not exceeding three years issued by US federal agencies and instrumentalities or US government sponsored enterprises (GSE). Qualified agencies include, Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Agricultural Mortgage Corporation (FAMCA), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Resolution Funding Corporation (REFCORP), Financing Corporation (FICO) and Tennessee Valley Authority (TVA).

#### **iv. Commercial Paper** *issued under the authority of section 3(a)2 or 3(a)3 of the Securities Act of 1933.*

Purchases of commercial paper must have maturities not exceeding 270 days from the date of purchase, and be issued in United States dollars (\$USD) by a commercial, industrial, or utility business or issued by or on behalf of a financial institution. Commercial paper must be rated at least A-1 by Standard and Poor's, and P-1 by Moody's, for issuers outside the state of Oregon. Issuers within Oregon must have a



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Standard and Poor rating of A-2 and a Moody's P-2. Ownership of commercial paper and corporate bonds shall be limited to a combined total of thirty-five percent of the portfolio, with no more than five percent of the portfolio held in any one issuer or its affiliates or subsidiaries.

### **iii.v. Corporate Bonds**

Corporate Bonds issued by a commercial, industrial, or utility business or issued by or on behalf of a financial institution must have final maturities not exceeding three years from the date of settlement. Authorized corporate bonds shall be limited to obligations of United States dollar denominated corporations organized and operating within the United States. A bond must have one rating from Standard and Poor's, Moody's, or Fitch, of at least AA, Aa, or AA, respectively. Ownership of corporate bonds and commercial paper shall be limited to a combined total of thirty-five percent of the portfolio, with no more than five percent of the portfolio held in any one issuer or its affiliates or subsidiaries.

### **vi. Municipal Debt**

Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions with a long term rating of "single A" (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.

Lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho, and Washington and their political subdivisions having a long term rating of "double A" (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.

### **iv.vii. Bankers Acceptances**

Authorized Bankers Acceptances must: (a) be guaranteed by and carried on the books of a financial institution located and licensed to do banking business in the State of Oregon. (b) be eligible for discount by the Federal Reserve System; and (c) the institution issuing a letter of credit shall have a short term rating in the highest category by one or more nationally recognized statistical rating organizations. Maturities shall be limited to 180 days from the date of purchase and ownership of bankers acceptances shall not exceed twenty five percent of the portfolio, with no more than ten percent of the portfolio held in any one issuer.

### **v.viii. Time Deposit Open Accounts, Certificates of Deposit, and Savings Accounts**

May only be made in insured institutions as defined in ORS 706.008 (Additional definitions for Bank Act) that maintain an office in Oregon. Certificates of deposit purchased by EWEB shall be FDIC/NCUA insured or collateralized through the state collateral pool in accordance with ORS 295.015 (Maintenance of securities by bank depository) and ORS 295.018 (Increase in required collateral of bank depository). Ownership of time certificates of deposit shall be limited to twenty-five percent of the

## ***EWEB Investment Policy***

portfolio, with no more than ten percent with any one financial institution at the time of purchase, and maturities shall not exceed three years.

### **9.1 Approval of Permitted Investments**

If additional types of securities are considered for investment, per Oregon state statute, they will not be eligible for investment until this policy has been amended and the amended version adopted by ~~[Local Government]~~ the Board.

### **9.2 Prohibited Investments**

Private placement or “144A” Securities are not allowed for purposes of the policy SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.

US agency mortgage backed securities such as those securities issued by FNMA and FHLMC are not allowed.

The ~~[Local Government]~~ Board shall not lend securities nor directly participate in a securities lending program.

### **9.3 Demand Deposits and Time Deposits**

All demand deposits and time deposits (Examples of time deposits are: certificates of deposit and savings accounts) shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

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

#### **~~5. Repurchase Agreements~~**

~~i. ORS 294.035 (3)(j) requires repurchase agreement collateral to be 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.~~

~~ii. ORS 294.135 (2) limits the maximum term of any repurchase agreement to 90 days.~~

~~iii. The OSTF Board has adopted the following margins:~~

~~A. US Treasury Securities: 102%~~

~~B. US Agency Discount and Coupon Securities: 102%~~

~~C. Mortgage Backed and Other\*: 103%~~

~~\*Limited to those securities described in ORS 294.035(~~

## **10.0 RISKS MANAGED**

### **10.1 Credit Risk**

Credit risk is the risk a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

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**i. Diversification** It is the policy of ~~{Local Government}~~EWEB to diversify its investments. Where appropriate, exposures will be limited by security type; maturity; issuance, and issuer. Allowed security types and investment exposure limitations are detailed in the table below.

**ii. Recognized Credit Ratings** Investments must have a rating from at least ~~{one/two}~~ of the following nationally recognized statistical ratings organizations (NRSRO): Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

**iii. Portfolio Average Credit Rating** The minimum weighted average credit rating of the portfolio’s rated investments shall be Aa/AA/AA by Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service respectively.

**iv. Exposure Constraints and Minimum Investment Credit Ratings.**

The following table limits exposures among investments permitted by this policy.

Instrument Diversification

<u>Instrument Type</u>	<u>Maximum % Portfolio</u>	<u>Minimum Ratings Moody’s/S&amp;P/Fitch</u>
US Treasury Obligations	100%	
US Government Agency Securities	100%	
Per Agency	33%	
Oregon Short Term Fund (LGIP)	Max allowed per ORS 294.810	
Commercial Paper	<del>15-35%</del>	A1/P1/F1
Corporate Bonds	<del>15-35%</del>	Aa/AA/AA
Municipal Bonds	10%	Aa/AA/AA
Bankers Acceptances	25%	A1+/P1/F1+
Time Certificates	<del>50-25%</del>	

**v. Determining a Security’s Rating** A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor’s, Moody’s Investor Services and Fitch Ratings respectively.

**vi. Restriction on Issuers With Prior Default History** Per ORS 294.040 (Restriction on investments under ORS 294.035), the bonds of issuers listed in ORS 294.035 (3) (a) to (c) (US Treasury, US Agency, OR/WA/CA/ID municipal securities) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district or city, for a period of five years preceding the date of the investment.

**10.2 Liquidity Risk**

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

i. The value of at least 25% of funds available for investing ~~or [three/six/twelve] months of budgeted operating expenditures~~ will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than ~~{30/60/90}~~ 180 days to provide sufficient liquidity for expected disbursements.

ii. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

Under 6 months	25% minimum
Under 1 year	<del>40%</del> <u>50%</u> minimum
Under 3 years	100%

iii. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

iv. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.

v. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance. Care should be taken to limit ownership of a particular issuance.

<u>Issue Type</u>	<u>Maximum % of issuance* (PAR)</u>
US Agency Securities	50%
Corporate Debt (Total)	-
Corporate Commercial Paper	100%
Corporate Bonds	25%
Municipal Bonds	25%

### **10.3 Interest Rate Risk**

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short term cash needs, and by making longer-term investments only with funds not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control

## **EWEB Investment Policy**

and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

- i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
- ii. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk.
- iii. No commitments to buy or sell securities may be made more than 14 **business** days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.
- iv. The maximum percent of callable securities in the portfolio shall be ~~xx%~~ **20%**.
- v. The maximum stated final maturity of individual securities in the portfolio shall be three years, except as otherwise stated in this policy.
- vi. The maximum portfolio average maturity (measured with stated final maturity) shall be 1.5 years.

### **11.0 INVESTMENT IN PROCEEDS FROM DEBT ISSUANCE**

Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052 (Definitions). Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 (Definitions) are not subject to this policy's liquidity risk constraints.

### **12.0 INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENT FUNDS**

Pursuant to ORS 294.135(1)(b) (Investment maturity dates), reserve or capital improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use occurring more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

### **13.0 GUIDELINE MEASUREMENT AND ADHERENCE**

## ***EWEB Investment Policy***

### **13.1 Guideline Measurement**

Guideline measurements will use ~~[par/market]~~ value of investments.

### **13.2 Guideline Compliance**

- i. If the portfolio falls outside of compliance with adopted Investment Policy guidelines or is being managed inconsistently with this policy, the Investment ~~Officer~~Committee shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
- ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the ~~[Designated Oversight Body or Position]~~Treasurer and General Manager.
- iii. Due to fluctuations in the aggregate funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure appropriate diversification is maintained.

## **14.0 REPORTING AND DISCLOSURE**

### **14.1 Compliance**

The Investment Officer shall prepare a report at least ~~[monthly/quarterly]~~ ~~that allows the [Designated Oversight Body or Position]~~ to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report should be made available to the ~~investment oversight body~~Investment Committee. The report will include, at a minimum, the following:

- i. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- ii. Average maturity of the portfolio at period-end.
- iii. Maturity distribution of the portfolio at period-end.
- iv. Average portfolio credit quality of the portfolio at period-end.
- v. Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio.
- vi. Distribution by type of investment.
- vii. Transactions since last report.
- viii. Distribution of transactions among financial counterparties such as broker/dealers.
- ix. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

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### **14.2. Performance Standards/ Evaluation**

~~At least annually, the Investment Officer shall report comparisons of investment returns to relevant alternative investments and comparative Bond Indexes. The performance of the portfolio should be compared to the performance of alternative investments such as available certificates of deposit; the Oregon Short Term Fund; US Treasury rates; or against one or bond indices with a similar risk profile (e.g., Bond indexes comprised high grade investments and maximum maturities of three years).~~

~~When comparing performance, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.~~

#### **Marking to Market**

The market value of the portfolio shall be calculated at least ~~{monthly/quarterly}~~ and a statement of the market value of the portfolio shall be issued at least ~~{monthly/quarterly}~~.

## **15.0 POLICY MAINTENANCE AND CONSIDERATIONS**

### **15.1 Review**

The Investment Policy shall be reviewed at least annually by the Investment Committee to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

The annual review should also serve as a venue to suggest policies and improvements to the investment program, ~~and shall include an investment plan for the coming year.~~

### **15.2 Exemptions**

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

### **15.3 Policy Adoption and Amendments**

This Investment Policy and any modifications to this policy must be formally approved by the ~~{Designated Oversight Body or Position} of {Local Government},~~ Board as required by statute.

This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the ~~{Designated Oversight Body or Position},~~ Board, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3) (Investment maturity dates)).

And either:

**A.** This policy has never been submitted to the OSTF Board for comment;

Or

**B.** Material changes have been made since the last review by the OSTF Board.

## ***EWEB Investment Policy***

Regardless of whether this policy is submitted to the OSTF Board for comment, this policy shall be re-submitted ~~not less than annually to the [Designated Oversight Body or Position] for approval.~~ as required by statute.

### **~~XV. List of Documents Used in Conjunction with this Policy~~**

*~~(The following is a list of suggested documents that may be used in conjunction with this policy)~~*

- ~~☐ Listing of authorized personnel~~
- ~~☐ Relevant investment statutes and ordinances~~
- ~~☐ Description of benchmark(s)~~
- ~~☐ Master repurchase agreements and tri-party agreements~~
- ~~☐ Listing of authorized broker/dealers and financial institutions~~
- ~~☐ Credit studies for securities purchased and financial institutions used~~
- ~~☐ Safekeeping agreements~~
- ~~☐ Wire transfer agreements~~
- ~~☐ Sample investment reports~~
- ~~☐ Methodology for calculating rate of return~~
- ~~☐ Broker confirmations and safekeeping receipts~~



**RESOLUTION NO. 1824  
OCTOBER 2018**

**EUGENE WATER & ELECTRIC BOARD  
INVESTMENT POLICY**

**WHEREAS**, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

**WHEREAS**, the Eugene Water & Electric Board has established Financial Policies to support the Board's financial targets, strategies and reporting;

**WHEREAS**, the Eugene Water & Electric Board has an Investment Policy which requires annual adoption by the Board of Commissioners;

**WHEREAS**, the Board of Commissioners has reviewed the Investment Policy;

**THEREFORE BE IT RESOLVED** that the Eugene Water & Electric Board hereby authorizes the General Manager to adopt and enforce the Investment Policy.

Dated this 2<sup>nd</sup> day of October 2018.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

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President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its October 2, 2018 Board Meeting.

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Assistant Secretary