

Oregon Short Term Fund Board
MINUTES
January 31, 2007

- Location:** Oregon State Treasurer's Tigard Office
6650 SW Redwood Ln, Suite 195
Portland, OR 97224-7184
- OSTFB Members Present:** Harvey Rogers, Preston Gates & Ellis
Linda Haglund, Office of the State Treasurer
Gary Wallis, City of Wilsonville
Michelle Hawkins, Linn County Treasurer
Deanne Woodring, Davidson Fixed Income Management
- OST Staff Present:** Darren Bond, Director of Finance
Perrin Lim, Office of the State Treasurer
Brooks Hogle, Office of the State Treasurer
Judy Whaley-Fultz, Banking Services Manager
Heidi Rawe, Executive Support Specialist
- Other Attendees:** Greg Moser, RBC Dain Rauscher
Tom Gilbertson, RBC Dain Rauscher
John Kinden, Gladstone School District
Darwin Dittmar, Gladstone School District
Janice Eisenberg, Beaverton School District
André Schellhaas, Beaverton School District
Sally Walton, Davidson Fixed Income Management
Marc Christian, Sherwood School District
Chuck Carter, Charles Carter Co.
Dave Sloop, Seattle NW

I. Opening Remarks

By way of introduction, Harvey Rogers gave a brief overview of the responsibilities and duties of the Oregon Short Term Fund Board (OSTF). Each member and attendee introduced themselves.

II. Introduction of New Board Member

Harvey welcomed Michelle Hawkins as the newest member of the OSTF Board. Deanne Woodring was also welcomed to her first meeting.

III. Review and Approval of September 19, 2006 Minutes

Motion: Gary Wallis moved approval of the September 19, 2006 Minutes. The motion was seconded by Linda Haglund and passed unanimously by the board.

Harvey declared a conflict of interest regarding the Beaverton, Gladstone and Sherwood School Districts. Deanne also made a disclosure statement relating to Beaverton, Gladstone and Sherwood School Districts.

IV. LGP/OSTF Investment Policy Review – Beaverton School District

Beaverton School District's Investment Policy was presented to the board by Perrin Lim. Comments were made by Janice Eisenberg and Andre Schellhaas of Beaverton School District., and they expressed thanks to Ellen Hanby for her assistance.

A discussion took place on the topic of GIC's. Linda Haglund suggested that guidance could be given through the Treasurer's Office Newsletter relating to the changing market, stating the boundaries and what entities can and cannot invest in.

Linda made the comment that the policy made no mention of external managers. If external managers are going to be used in the future, this needs to be added to the policy. There will be issues that need to be addressed and text added to the policy at that time.

V. LGP/OSTF Investment Policy Review – Gladstone School District

Perrin Lim introduced the Gladstone School District's Investment Policy to the board, and he noted that there were additional changes made to the policy which were not included in the copy before the board.

The following comments were offered by Gladstone School District:

- It may be beneficial to be able to share policies with other districts
- One scenario: right now, the school district has bond proceeds of about \$40 million; but other years, they may have a maximum of \$6 million to invest on an ongoing basis
- Depending on the school district's size, the investment policy process can be pretty confusing

The school district thanked staff and showed appreciation for the help they had provided.

Perrin advised the School District to make sure that they, and any advisory services they use, have a good understanding of the final version of the revised policy. The responsibility for the portfolio remains with the School District, and not the advisor, should anything happen.

VI. LGP/OSTF Investment Policy Review – Albany School District

The Albany School District's Investment Policy was presented before the board. Perrin felt that although the investment language is generally adequate, providing some safety for the District, the rest of the body of the policy needs further elaboration.

This policy had been presented to, and approved by, the School Board on December 11, 2006, prior to the OSTF Board Meeting. Harvey confirmed that in order to invest beyond 18 months, the policy should be reviewed by the OSTF Board before being adopted by the District.

Discussion took place about how the Board, in general can remind local governments to get started early on their investment policy. Information and timeframes of upcoming OSTF Board meetings are included within the Local Government Newsletter where entities are pointed towards the sample policy for guidance.

After much discussion, the board agreed that staff would send a letter to the District stating that the policy has been reviewed, detailing changes which should be made to the policy and our belief that the policy needs to be readopted by the School Board before the district is authorized to purchase securities that mature in excess of 18 months. The letter should then close by saying

the review is being provided at this time to facilitate the investment of the District's bond proceeds.

Dave Sloop mentioned perhaps making a statutory requirement stating that Bonds could be invested beyond 18 months as long as 'x, y and z' took place. Funds should be invested as close as practical to the date that they are expected to be used. It was suggested that Treasury might sponsor this statutory change. This was discussed later in the meeting.

VII. LGP/OSTF Investment Policy Review – Sherwood School District

Perrin Lim presented the Sherwood School District's Investment Policy before the board. There were many similarities as with Albany's Policy. It had already been put before the school's governing board for approval, prior to any changes being made and being reviewed by the board.

A discussion took place regarding advisors. Harvey asked Marci Christian of Sherwood School District to contact Anne Sherman to confirm that the IRS three bid requirement for bond proceeds is not required under the current relationship between Sherwood School District and Seattle NW as their financial advisor.

The consensus of the board was to follow the same process as was agreed upon for the Albany School District's policy where a letter would be sent out to the District stating that the policy had been reviewed and mentioning those areas which needed addressing.

VIII. Proposed Revision to OSTF Portfolio Rules/Guidelines

Perrin presented the following two revisions before the board:

- Revision #1 - For Variable Rate Securities: Using the next reset date or call date as a proxy for the maturity date
- Revision #2 – Average Credit Quality Valuation – eliminating Fitch from the average credit quality calculation.

These revisions were approved by the Board and staff was directed to present them as recommendations to the Oregon Investment Council.

IX. Other Items

Linda asked those present to suggest ways that the word can be sent out to help Local Governments prepare and have their policies ready for the OSTF Board to review.

The following ideas were suggested:

- Using OSBA and COSA to relay information.
- Make it clear that the OSTFB really does want to review the policies.
- Gary Wallis suggested having a presentation at one of the association meetings; this could be the topic for the next OSTF Board meeting at the Spring OMFOA Conference. In addition, this would be a great topic for auditors at the OSCPA Conference in Eugene, which is attended by approximately 330 CPA's.
- Charles Carter suggested a workgroup that would brainstorm together to determine ways to educate school districts or other special districts on how to approach their investment policies. Deanne suggested that another good idea would be to review the sample policy and see if any changes should be made. The board decided that this would be a good

idea. Those who volunteered to be involved included Charles Carter, Deanne Woodring, Gary Wallis, Dave Sloop and John Kinden as well as Perrin Lim and Ellen Hanby. Staff will coordinate this effort.

A discussion took place on whether a 'short form policy' would be a good idea to help districts with bond proceeds be able to invest beyond 18 months in conjunction with their construction schedules. The districts would be able to use this in the short term however would need to come back within the year with their full policy.

Deanne was asked to draft a short form sample investment policy and send it to Perrin for review. Following his review, a teleconference will be organized in order that the board may discuss it. Interested parties were asked to contact Perrin in order that they might be included in this teleconference.

Following Dave's earlier comment regarding changes to statute, Harvey asked the group if statutory changes should be brought before legislature this session. A discussion took place regarding having a vehicle to bring these forward. It was decided that if there were any strong feelings about this issue, they could be discussed as a second topic during the teleconference; otherwise, this will be addressed at a later time and put forward at the next session.

X. Closing Remarks

Harvey thanked everybody for attending.

Meeting adjourned at 4:45pm.

Respectfully Submitted,

Heidi C. Rawe
Executive Support Specialist