



**OREGON SHORT TERM FUND  
BOARD MEETING  
Thursday, October 2013  
Minutes**

**OSTF Location:** Orrick, Herrington & Sutcliffe, LLP  
1120 NW Couch Street, Suite 200  
Portland, Oregon

**Board Attendees:** Douglas Goe  
Darren Bond  
Laurie Steele  
Michael Schofield  
Pat Clancy  
Deanne Woodring

**Attendees (Staff):** Perrin Lim  
Tom Lofton  
Garrett Cudahey  
Norma Harvey (via phone)  
Heidi Rawe  
Brooks Hogle  
Byron Williams  
Mary Krehbiel

**Attendees (Other):** Amy Dale, SOS Audits Division  
Kelly Olson, SOS Audits Division  
Tracy Westerfield, Port of Portland  
Bob Burket, Port of Portland  
Wayne Lowry, Deschutes County (via phone)  
Gina Sanstrum, Gresham-Barlow School District

- i. **Opening Remarks – Douglas Goe**  
Douglas Goe welcomed all to the Oregon Short Term Fund (OSTF) Board meeting and roll was taken.

**ii. Review and Approval of Meeting Minutes**

**a. July 9, 2013**

MOTION: Pat Clancy moved approval of the July 9, 2013 OSTF Board Meeting Minutes, the motion was seconded by Deanne Woodring, and passed unanimously by the Board.

**iii. LGP/OSTF Investment Policy Reviews**

**a. Gresham Barlow School District**

Tom Lofton presented Gresham-Barlow School District's Investment Policy to the Board and noted that he had worked with Gina Sanstrum on the policy update. The District's Investment Policy was last reviewed by the OSTF Board and adopted in 2008. Based on guidance from the Oregon School Board Association (OSBA) the District has significantly reformatted and split its policy into a guidelines document and a procedures document.

The purpose of the District's investment policy revisions are to update the language and increase investment options so that the District may invest bond proceeds from a \$210 million capital improvement bond measure.

Key revisions to the policy were:

- Extending allowed maturities from 1.5 years to 5 years.
- Allowing corporate bonds. Commercial paper was allowed in the previous version.
- Specific minimum investment ratings were added.

Darren Bond noted that this "split policy" is consistent with many different school districts and suggested having a dialog with the OSBA to facilitate incorporation of the OSTF Sample Investment Policy. Mike Schofield agreed to assist in contacting the OSBA regarding the split policy recommendation.

Mr. Goe suggested forming a group for training purposes, to work together with the OSBA to facilitate a solution. He further recommended a training session regarding the policies at the Oregon Association of School Business Officials (OASBO) Summer session.

**Comments from the Board Were:**

- Page 16 of 51, Section 1. f. (1): Please double-check "D-1" credit rating reference in this section because further in the policy document this agency credit rating is not referenced.
- Page 15 of 51, Section 4 – Safekeeping: Reference to "safekeeping receipts" is outdated language and could possibly be updated or deleted.
- Recommend adding a separate "Compliance" section to the policy, consistent with the sample policy.
- Recommend adding language regarding action(s) to be taken when there is a ratings downgrade.
- Weighted Average Maturity (WAM): The Board emphasizes that an increase in maximum maturity may allow for a dramatic increases in the interest rate risk to the portfolio.
- Please note that given the potential WAM of three years and a maximum maturity of 5 years, using the Oregon Short Term Fund as a benchmark may not be appropriate.

- Page 18 of 51: Recommend clarifying language in the first paragraph regarding submission of administrative rules to the OSTF Board and the use of funds for capital projects.
- Page 14 of 51, Section 3: Consider, as is in the sample policy, stating that a specific governing body has fiduciary responsibility.
- Page 18 of 51 - The chart under OSTF Local Government Investment Pool: Recommend a reference to ORS 294.810.
- Page 10 of 52, 2<sup>nd</sup> Sentence: Consider amending the second sentence to say, "The Board directs that the district invest such excess funds in accordance with the applicable Oregon Revised Statutes, this policy and associated administrative rules."
- Page 12 of 51, Paragraph 2: The first sentence should read, "Funds of the district will be invested in compliance with Oregon law."
- Page 17 of 51, Section 1: The Board noted that there is no statutory authority to invest in derivatives for investment purposes. The last sentence regarding derivatives should be removed.
- Page 20 of 51, Reporting: Consider adding minimum requirements for compliance reporting to the oversight/governing body.
- Page 12 of 51, Paragraph 1, Scope: Recommend changing the second sentence to read, "Funds held by trustees or fiscal agents are excluded from these rules, however, all funds are subject to statutes and regulations established by the State of Oregon."
- Page 13 of 51, bottom line: Insert Chapter between ORS and 244.
- Page 16 of 51, Suitable and Authorized Investments 1. e: Insert Chapter between ORS and 295.
- Page 17 of 51, Section 2: Consider deleting the usage of "March 12, 1996" and use the word "current" instead.

Mr. Goe expressed appreciation for the efforts from Ms. Sanstrum and for her recognition of the importance of following the Sample Policy.

**b. Port of Portland**

Tom Lofton presented the Port of Portland Investment Policy to the Board. The Port of Portland is re-submitting the Investment Policy to address OSTF Board review comments from July 9, 2013. It expects to manage \$275 - \$300 million annually within the scope of its investment policy over the next five years. The Port governs with a combination of policy and procedures; a brief policy and more detailed set of procedures.

Mr. Burket from the Port of Portland apologized for not being at the last meeting when the policy was originally reviewed and thanked Tom Lofton for his assistance in completing the revisions. Mr. Burket noted that the policies are deliberately high level and procedures and guidelines are contained in separate documents.

**Comments from the Board were:**

- It was noted by members of the Board that the policy, as presented, lacks the detail relative to most investment policies presented to the Board. Therefore, the policy's effectiveness is difficult to

review in the current format. Unless there are separate procedures providing more detailed requirements, it will be difficult to report compliance to the Port of Portland's Board of Commissioners.

- Consider adding a "Compliance Reporting" section to the policy.
- Given the limited nature of the policy as presented, the understanding of risks outlined by the policy is vague.
- Ms. Woodring, a Board Member, noted that she would forward a checklist to Mr. Burket to address the required objectives.
- The Port of Portland is encouraged to add greater detail to its policy to reference supporting procedures effectively for the benefit of anyone trying to read and understand it.
- Page 5 of 7, 4<sup>th</sup> line down should read, "All funds within the scope of this policy are subject to the statutes and regulations established by the State of Oregon."
- Page 5 of 7, "Investment Types:" The first sentence should also include ORS 294.052.

Mr. Goe thanked Mr. Burket and Ms. Westerfield for their participation in the meeting.

**c. Deschutes County**

Tom Lofton presented Deschutes County's Investment Policy to the Board, submitted by Wayne Lowry, the County's Finance Director. The County expects its investment portfolio to average approximately \$90-170 million over the next few years. Deschutes County used the OSTF Board Sample Policy as the base for its revised investment policy.

**Comments from the Board were:**

- Page 4 of 27, iii: "On" should not be capitalized.
- Page 10 of 27, ii: By stating that Investments must have a rating from at least two nationally recognized statistical ratings organizations, Farmer Mac is automatically excluded. Clarification is recommended unless it was intended to exclude Farmer Mac. It was recommended that the language in this section be reworked to achieve clear intent.
- Page 2 of 27, II: Fourth line should read, "All funds within the scope of this policy are subject to these statutes and regulations established by the State of Oregon."

It was the consensus of the Board that the Deschutes County policy was well written.

**d. City of Coos Bay**

Tom Lofton presented the City of Coos Bay's investment policy for review and noted that they had followed the OSTF Sample Policy. The City of Coos Bay expects its investment portfolio to average approximately \$5-7 million over the next few years.

**Comments from the Board were:**

- The Board felt that portions of the sample policy were deleted from the language in the City of Coos Bay's revised policy, thus allowing the City's policy to be more permissive relative to the sample policy.

- Page 5 of 25, Section iii: The Board believes that the compliance requirements were weakened relative to the sample policy by replacing the word “annual” review with “periodic” and that more defining language than “periodic” would strengthen the City’s policy.
- Page 10 of 25, in the table: Members of the Board were not comfortable with the Time Deposits/Savings Accounts/Certificates of Deposit increase from 50% to 100% along with removal of the “Per Institution” limitation. Revisiting this section was recommended.
- Page 12 of 25, Section XII: Much of the compliance language in this section and throughout the policy has been removed. It was suggested to review and compare all of the compliance language in the policy to the sample policy.
- Page 24 of 25, Section v: Maturity constraints need to be changed from 3 to 5 years to comply with the chart on page 23 of 25.
- Page 2 of 25, I: First paragraph needs a space between “ORS” and “294.135.”
- Weighted Average Maturity “WAM”: The Board notes that the City of Coos Bay should be aware that increases in the maximum maturities of investments may allow for a significant increase in the interest rate risk to the portfolio.
- Page 2 of 25, II, Governing Authority: The following language was recommended for the first sentence, “The Council/Agency’s investment program shall be operated in conformance with Oregon law and applicable federal law.”
- Page 9 of 25, 5. iii: Removal of the date was recommended so the section heading reads, “The OSTF Board has adopted the following margins:”
- Page 14 of 25, Section XIV. 2, Policy Review, Adoption, and Amendments: At the end of both paragraphs the word “Chapter” between “ORS” and “208.090 & 294.135” should be deleted.

**iv. LGP/OSTF Submitted Short Form Investment Policy**

The Board acknowledged that Crook County and MINET had each submitted a Short Form Investment Policy.

**v. 2013 OSTF Financial Statement Audit Presentation – Amy Dale, Secretary of State Principal Auditor**

Amy Gale and Kelly Olson of the Secretary of State Audits Division presented an “Independent Auditor’s Report” as of June 30, 2013. It was noted that this is a yearly function utilized as an internal control. Adjustments, corrections and recommendations were included in the written report and briefly reviewed. Ms. Gale and Ms. Olson thanked staff for their cooperation and responsiveness to issues brought to their attention. Discussion followed and questions regarding the process and procedures were answered.

Mr. Goe thanked Ms. Gale and Ms. Olson for their efforts and, in turn they offered their ongoing services as a resource for the Board and Staff.

**vi. Market & Economic Update - Garrett Cudahey/Perrin Lim**

Garrett Cudahey and Perrin Lim presented the OSTF Portfolio update as of September 30, 2013 and discussed the current market environment.

<b>September 30, 2013</b>	
Net Asset Value	\$11,659,000,267.46
Unit Value	1.00297
Weighted Average Credit Quality	AA
Book Yield	0.616%
Rate Paid to Participants	0.540%

Tom Lofton commended Mr. Cudahey and Mr. Lim for regulating the current portfolio to insure that cash flows are generated from maturities.

Deanne Woodring commented on the value of diversification in the well-managed OSTF portfolio. She described the portfolio as “top-notch” with its many benefits, protections and controls. Laurie Steele complimented staff for their efforts to protect the portfolio in the current difficult market environment.

**vii. Closing Remarks/Other Items of Business**

- a. The next OSTF Board meeting is scheduled for January 9, 2014.
- b. The meeting adjourned at 12:05 pm.

Respectfully Submitted by,

  
 Norma Harvey  
 Investment Analyst

  
 Heidi C. Rawe  
 Executive Assistant to the Deputy State Treasurer