



**OREGON SHORT TERM FUND
BOARD MEETING
Tuesday, July 8, 2014**

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

Board Attendees: Douglas Goe
Darren Bond
Laurie Steele
Michael Schofield

Attendees (Staff): Perrin Lim
Tom Lofton
Garrett Cudahey
Norma Harvey (via phone)
Heidi Rawe

Other Attendees: Shawn Cross, City of Lake Oswego
Suzanne Baker, City of Coos Bay (via phone)
Tim Collier, Metro
Dale Smith, Metro
Revathi Aditham, Portland Community College
Dee Wilson, Portland Community College
Terry Aguon, City of Gresham (via phone)

- 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. March 10, 2014**
MOTION: Darren Bond moved approval of the March 10, 2014 OSTF Board Meeting Minutes, the motion was seconded by Michael Schofield, and passed by the Board.
- iii. LGP/OSTF Investment Policy Reviews**
 - a. Metro**
Garrett Cudahey presented Metro's Investment Policy to the Board and noted that he had worked with Calvin Smith on the policy update. Metro's Investment Policy was last reviewed by the OSTF Board and adopted in July, 2013.

Comments from the Board were:

- It was noted that several of the items identified by the OSTF Board, as part of the July 2013 Metro investment policy review, remain unresolved. The OSTF Board recommends addressing these remaining open items from the July 2013 investment policy review.
- Page 6 of 18, Scope: In the reference to ORS Chapter 294.052, the suggestion was made to drop the “.052” so it is referring to the entire chapter, e.g., “ORS Chapter 294.”
- Page 6 of 18, Scope: It was recommended that the reference to the “1986 Tax Reform Act” be changed to “Internal Revenue Code of 1986.”

Mr. Goe thanked Mr. Collier and Mr. Smith for their efforts. They extended their thanks to Treasury Staff.

b. Portland Community College (PCC)

Garrett Cudahey presented Portland Community College’s Investment Policy to the Board and noted that he had worked with Revathi Aditham on the policy update. PCC’s Investment Policy was last reviewed by the OSTF Board and adopted in 2010. PCC expects its investment portfolio to range from approximately \$100 million to \$370 million.

PCC’s policy was updated to reflect more current OSTF Board sample policy language in areas such as: Conflicts & Ethics, Broker/Dealers, Internal Controls, Compliance, Callable Exposure and other areas that were previously missing in their policy.

PCC added the Oregon Intermediate Term Pool (“OITP”) as an allowable investment.

Comments from the Board were:

- The recommendation was made not to include the Oregon Intermediate Term Fund (“OITP”) in the policy, because it is currently not available to local governments. Also, it is not authorized under ORS 294.035 and is not an eligible fund for local governments. A suggestion was made to change the language to allow participation in commingled funds, not specifically OITP.
- Page 49 of 49, Section XXVI, Procedural Review: “short-term” should not be capitalized.

Mr. Goe thanked Ms. Aditham and Ms. Wilson for their work on policy revisions.

c. City of Gresham

Tom Lofton presented the City of Gresham’s Investment Policy to the Board and noted that he had worked with Terryl Aguon on the policy update. The City of Gresham is making two significant revisions to its investment policy. The fiscal year 2012-13 average balance of funds invested in the City’s general portfolio was \$141 million. The City of Gresham’s investment policy was last reviewed by the Board in July 2013.

Mr. Lofton reviewed the significant policy changes and representatives from the City explained their reasoning behind the changes as affording more investment opportunities to the City.

Comments from the Board were:

- The recommendation was made not to include the Oregon Intermediate Term Fund (“OITP”) in the policy, because it is currently not available to local governments. Also, it is not authorized

under ORS 294.035 and is not an eligible fund for local governments. A suggestion was made to change the language to allow participation in commingled funds, not specifically OITP.

- Page 10 of 38, Federal Agency Obligations: It was noted that the reduction in maximum agency issuer from 33% to 25% may cause difficult limitations, depending on the markets.
- Page 35 of 38 Annex II - Approved Custodians: The official name of US Bank is now "U.S. Bank National Association."
- Page 36 of 38 Annex III - Approved Broker/Dealers: Seattle-Northwest Securities was acquired by Piper Jaffray, therefore Seattle-Northwest Securities should be taken off the list.

Laurie Steele commented on the language in the OSTF sample policy on page 11: "Securities that have been downgraded to below the minimum ratings will be sold or held at the custodial officer's discretion. The custodial officer is responsible for bringing the portfolio back into compliance as soon as practicable." She noted that the two sentences seemed in conflict and the word "practicable" should have a more specific meaning. Discussion followed with Board Members regarding this section of the sample policy and some members agreed that the word "practicable" leaves a significant amount of latitude.

Mr. Goe expressed thanks to Mr. Aguon for his work on policy updates.

d. City of Lake Oswego

Tom Lofton presented the City of Lake Oswego's Investment Policy to the Board and noted that he had worked with Shawn Cross on the policy update. The City of Lake Oswego is making significant revisions to its investment policy with significant new language drawn from the OSTF Board's Sample Policy. The City's policy was last reviewed in 2001. Other than bond proceeds, the City expects the total of all available funds falling within the scope of its investment policy to range from \$40 to \$90 million.

Comments from the Board were:

- Page 52 of 60, 4. Competitive Transactions: Second paragraph - There is a stray "n" in the first sentence that should be deleted. In the second sentence "advisor" should be capitalized.
- Page 55 of 50, 5. Demand Deposits and Time Deposits: Insert "Chapter" after ORS and before 295 to read "ORS Chapter 295."

Members of the Board expressed appreciation and agreed that the City of Lake Oswego has done an excellent job of revising their policy.

e. Marion County

It was noted that Laurie Steele would abstain from voting, which would constitute a lack of quorum. It was the consensus of the Board to review the policy with Ms. Steele acting in an advisory capacity; as a member of the board but not a participant.

Tom Lofton presented the City of Lake Oswego's Investment Policy to the Board and noted that he had worked with Laurie Steele on the policy update. Marion County is making two minor revisions and one significant revision requiring OSTF Board review and comment. The maximum portfolio weighted average maturity ("WAM") has been increased from two to three years.

Comments from the Board were:

- Weighted Average Maturity ("WAM"): Because the WAM has increased from two to three years, it should be noted that the Board emphasized the importance when reporting to government bodies

that the increase in maximum maturity may allow for a dramatic increase in the risk profile to the portfolio. 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 7 of 7, Sections 7.1 and 7.2: Delete “Chapter” between “ORS Chapter 208.090” and “ORS Chapter 294.135” or add the word “Section” in place of “Chapter.”
- Page 6 of 7, Section 6.2: Delete “Chapter” between “ORS Chapter 723.006” or add the word “Section” in place of “Chapter.”
- Page 2 of 7, Authority: In paragraph three delete “Chapters” between “ORS Chapters 203.010, 203.035 and 203.111” or add the word “Sections” in place of “Chapters.”
- Page 5 of 7, Section 6.1: Delete “Chapters” between “ORS Chapters 294.035, 294.052 and 294.810” or add the word “Section” in place of “Chapter.” Also in section 6.1.1 delete “Chapter between “ORS Chapter 723.006” or add the word “Section” in place of “Chapter.”
- Page 6 of 7, Section 6.2: Laurie Steele noted that the last bullet point *should* read, “The weighted average maturity of the portfolio should not exceed 36 months.”

Mr. Goe thanked Ms. Steel for her excellent work on the policy.

f. City of Coos Bay

Tom Lofton presented the City of Coos Bay’s Investment Policy to the Board and noted that he had worked with Susanne Baker on the policy update. The City is resubmitting an investment policy to address OSTF Board comments from the October 2013 review. The City expects its investment portfolio to average approximately \$5 - \$7 million over the next 3 years.

Mr. Lofton noted that the City of Coos Bay attempted to respond to every comment from the Board in a positive way in the resubmittal.

Comments from the Board were:

- The Board agreed that it is an excellent, well-written investment policy and they thanked Susanne Baker for her efforts.
 - g. Short Form Investment Policies submitted for review were David Douglas School District and the City of Corvallis.
 - The City of Corvallis submitted a policy with no changes, but simply broke apart more high level board procedure governing language and attached procedural language separately. It was noted that a continued trend with school districts is to create a policy followed by administrative regulations. It was agreed, however, that these types of policies need to be submitted in their entirety.

iv. Market Overview and Portfolio Update - Garrett Cudahey

Garrett Cudahey presented the OSTF Portfolio update. US Government Rates and credit spreads were discussed and the current difficult investment environment was reviewed.

- US Government Rates
- 1-3 Year Credit Spreads
- OSTF Portfolio Update

May 31, 2014	
Net Asset Value	\$12,672,643,275
Unit Value	1.00334

Weighted Average Credit Quality	AA
Book Yield	0.56%
Weighted Average Days to Maturity	239.39
Rate Paid to Participants	0.54%

- OSTF Net Asset Value History
- Deposit Mix Update
- OSTF Allowance Update – Note: Perrin Lim indicated that the portfolio will grow the allowance whether or not the rate is lowered.
- Holdings by Security Type
- OSTF Diversification
- OSTF Credit Profile
- OSTF Fixed/Floating Rate Allocation
- OSTF Maturity Profile
- OSTF Rates Comparison
- OSTF Performance Update

v. Closing Remarks/Other Items of Business

- a. Laurie Steele asked Treasury Staff how the local governments are monitored regarding their statutory limits in the pool and how the policy is enforced when the limit is exceeded. Darren Bond said he would check into it and report back to the Board.
- b. The next OSTF Board meeting is scheduled for October 9, 2014 in Portland, Oregon.
- c. The meeting adjourned at 11:10 am.

Respectfully Submitted by,


 Norma Harvey
 Investment Analyst