



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson

FROM: Deborah Hart, Chief Financial Officer;
Aaron Balmer, Accounting & Treasury Supervisor;
Matthew Miller, Sr. Accounting Analyst

DATE: September 24, 2020

SUBJECT: Annual Investment Policy Review

OBJECTIVE: Board Action

Issue

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 be adopted annually by the EWEB Board.

Background

During 2018, staff submitted the Investment Policy to the OSTF Board for review and comments were presented to the EWEB Board at the September 4, 2018 meeting. EWEB's Investment Policy was guided by the OSTF Sample Investment Policy and conforms to best practices presented therein. The Board last adopted the Investment Policy at the October 2019 meeting with Resolution No. 1931.

Discussion

Annual adoption promotes regular review of the Investment Policy. There have not been any updates to the OSTF Sample Investment Policy. In addition, staff have reviewed other industry best practices and determined EWEB's policy aligns with those recommendations as well. The policy has been functioning well to guide investment activity over the past year.

OSTF review of EWEB's Investment Policy is not required this year because there have not been any material changes made to EWEB's policy since OSTF's last review. Additionally, only minor changes for clarity and specific conformity to ORS are proposed to the EWEB Investment Policy at this time. The referenced changes are on pages 12 and 13 of the black lined Investment Policy, attached.

Recommendation and Requested Board Action

Management recommends approval of Resolution No. 2023 to readopt the Investment Policy.

Attachments: EWEB Investment Policy-2020
EWEB Investment Policy – Black lined (Changes from 2019)
Resolution No. 2023



**Eugene Water & Electric Board
Investment Policy
Reviewed September 2020**

Eugene Water & Electric Board Investment Policy

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Eugene Water & Electric Board Investment Policy

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.

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 transaction on behalf of this entity, have 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 bi-annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Committee. Factors to consider would be:
 - a.** Pending investigations by securities regulators
 - b.** Pending customer arbitration cases
 - c.** Regulatory enforcement actions
- 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

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 AAA, 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 is 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&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 next 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%

*The par amount issued under a single CUSIP.

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 OF 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.

REVISION/ADOPTION HISTORY

Version	Section Revised/Description	Resolution No.	Approved	Effective
1	Initial Adoption	No. 1824	10/2/2018	10/2/2018
1	Annual Adoption (no change)	No. 1931	10/1/2019	10/1/2019
1	Annual Adoption (no change)	No. 2023		



Eugene Water & Electric Board
Investment Policy
Reviewed September ~~2019~~2020

**Eugene Water & Electric Board
Investment Policy**

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Eugene Water & Electric Board Investment Policy

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.

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 transaction on behalf of this entity, have 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 bi-annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Committee. Factors to consider would be:
 - a.** Pending investigations by securities regulators
 - b.** Pending customer arbitration cases
 - c.** Regulatory enforcement actions
- 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

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 AAA, 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 is 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&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 next 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%

*The par amount issued under a single CUSIP.

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 OF 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.

REVISION/ADOPTION HISTORY

Version	Section Revised/Description	Resolution No.	Approved	Effective
1	Initial Adoption	No. 1824	10/2/2018	10/2/2018
<u>1</u>	Annual Adoption (no change)	No. 1931	<u>10/1/2019</u>	<u>10/1/2019</u>
<u>1</u>	<u>Annual Adoption (no change)</u>	<u>No. 2023</u>		

**RESOLUTION NO. 2023
OCTOBER 2020**

**EUGENE WATER & ELECTRIC BOARD
ANNUAL INVESTMENT POLICY REVIEW AND ADOPTION**

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 6th day of October 2020.

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 6, 2020 Board Meeting.

Assistant Secretary