

A RESOLUTION ADOPTING AN UPDATED INVESTMENT POLICY AND PORTFOLIO GUIDELINES FOR THE CITY OF ALBANY AND REPEALING RESOLUTION NO. 3700.

WHEREAS, ORS 294.135 requires cities to periodically review and revise their written investment policies; and

WHEREAS, ORS 294.135 (a) requires the Oregon Short Term Fund Board (OSTFB) to review and comment on said policy revisions; and

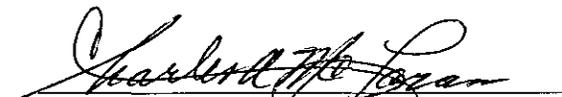
WHEREAS, the OSTFB has reviewed and commented on the City of Albany Investment Policy and Portfolio Guidelines; and

WHEREAS, the OSTFB has found that the statutory policy review requirement for the City of Albany has been satisfied.

NOW, THEREFORE, BE IT RESOLVED that the City of Albany City Council adopts Exhibit "A" as the Investment Policy and Portfolio Guidelines for the City of Albany.

BE IT FURTHER RESOLVED that Resolution No. 3700 is hereby repealed.

DATED AND EFFECTIVE THIS 21ST DAY OF NOVEMBER 2005.



Mayor

ATTEST:



City Clerk

EXHIBIT "A"
CITY OF ALBANY
INVESTMENT POLICY AND PORTFOLIO GUIDELINES
Revised: November 16, 2005

I. POLICY STATEMENT

It is the policy of the City of Albany ("City") that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner that will provide the maximum security of principal invested, employing limitations on maturities and diversification of the portfolio while meeting the daily cash flow needs of the City and conforming to all applicable state and City statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to safety and liquidity requirements. It is the intent of the City to be in complete compliance with local, state, and federal law. The earnings from investment will be used in a manner that best serves the public trust and interests of the local government.

II. SCOPE

This policy applies to activities of the City of Albany with regard to investing the financial assets of all funds. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Oregon. Other than bond proceeds or other unusual situations, the total of all funds ranges from \$50 million to \$100 million.

The City commingles its daily cash into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. The following funds, and any new funds created by the City, unless specifically exempted by the City Council and this policy, are defined in the City's Comprehensive Annual Financial Report.

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Permanent Funds

These funds will be invested in compliance with the provisions of all applicable Oregon Revised Statutes. Investments of any tax-exempt borrowing proceeds and any related Debt Service funds will comply with the arbitrage restrictions in all applicable Internal Revenue Codes.

III. OBJECTIVES AND STRATEGY

It is the policy of the City that all funds shall be managed and invested with five primary objectives, listed in order of their priority.

A. Legality. The Investment Policy will be in conformance with federal laws, state statutes, local ordinances, and internal policies and procedures.

B Safety of principal. Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

C. Liquidity. The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.

CITY OF ALBANY
INVESTMENT POLICY AND PORTFOLIO GUIDELINES

Revised: November 16, 2005

D. Diversification. Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage.

E. Yield. The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow of the portfolio. "Market rate of return" may be defined as the average yield of the current three-month U.S. Treasury bill or any other index that most closely matches the average maturity of the portfolio.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES, AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Oregon are found in the Oregon Revised Statutes (ORS 294.035) with the exception of 294.035 (10) which we do not consider a legal investment.

V. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business 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. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers, and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS 244.

VI. DELEGATION OF INVESTMENT AUTHORITY

The Assistant City Manager/Chief Financial Officer, acting on behalf of the City Council, is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. The Council is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

VII. INVESTMENT LIMITATIONS

Before any security purchase or sale is initiated, the Investment Officer shall first determine the appropriateness of seeking competitive bids or offers. Such factors to consider include where the securities are held, the size of the transaction, and the term to maturity. Competitive bids and offers

CITY OF ALBANY
 INVESTMENT POLICY AND PORTFOLIO GUIDELINES
 Revised: November 16, 2005

shall always be sought for security purchases and sales of bond funds, when tax laws or bond covenants require such action.

Investments listed below shall not exceed the percentages of the total portfolio as indicated.

U.S. Treasury Bills, Notes, Strips, and Bonds <i>ORS 294.035 (1)</i> (and obligations secured by U.S. Treasury)	100%	36 months
U.S. Gov. Agency Discount Notes and Bonds <i>ORS 294.035 (1)*</i>	45-50%	36 months
Bankers Acceptances (Oregon Issued) (1) <i>ORS 294.035 (8) (a)</i>	25%	6 months
Corporate Indebtedness (2) (Aa/P1, A-1/AA, National market) (2)	35%	9 months
Single issuer <i>ORS 294.035 (9) (b)</i>	5%	9 months
Corporate Indebtedness (2) (P-2/A, A-2/A or better, Oregon Issue) (3)	35%	9 months
Single issuer <i>ORS 294.035 (9) (c)</i>	5%	9 months
Time Certificates of Deposit - Commercial Banks (3) <i>ORS 294.035 (4)</i>	25%	One year
Repurchase Agreements (4) <i>ORS 294.035 (11)</i>	25%	10 days
Local Government Investment Pool (5) <i>ORS 294.810 (1)</i>	90%	Daily Demand
State of Oregon and its Political Subdivisions (Rated A or better) <i>ORS 294.035 (2)</i>	10%	36 months
State of California, Idaho, and Washington and their Political Subdivisions (Rated AA or better) <i>ORS 294.035 (3)</i>	10%	36 months

* No more than 15 percent per entity.

(1) Bankers Acceptances – *ORS 294.035 (8) (a)*

All Bankers Acceptances will be purchased from Oregon institutions, must be eligible for discount by the Federal Reserve System, and issued by a qualified institution with a credit rating in the highest category. The Bankers Acceptances with any one financial institution shall not exceed 25 percent of the portfolio or five percent in any single corporate entity.

(2) Corporate Indebtedness - (National and Oregon Market) – *ORS 294.035 (9) (b & c)*

Corporate indebtedness in both Oregon issuer and the national market may not exceed 35 percent of the portfolio and must not exceed 5 percent of portfolio in any one issuer.

(3) Time Certificates of Deposit - (Commercial Banks) – *ORS 294.035 (4)*

All Time Certificates of Deposit will be purchased from Oregon institutions. Investment in any one institution shall not exceed 15 percent of portfolio.

(4) Repurchase Agreements– *ORS 294.035 (11)*

Repurchase Agreements shall be secured by U.S. Government and U.S. Agency Debt Obligations, and will be held in safekeeping at the issuing institution's trust department per *ORS 294.035 (11)*. (No more than 5 percent per entity.)

(5) Local Government Investment Pool– *ORS 294.810 (2)*

The maximum amount of funds to be invested will be per *ORS 294.810 (1)*, increased in proportion to the increase occurring after September 9, 1995, in the CPI as allowed by Oregon Revised Statutes.

CITY OF ALBANY
INVESTMENT POLICY AND PORTFOLIO GUIDELINES
Revised: November 16, 2005

VIII. MATURITY STRUCTURE

Investment maturities will be staggered so as to coincide with projected cash flow needs (payroll, bond payments, accounts payable, etc.) as well as considering cash collections (taxes, franchise fees). The Investment Officer shall also consider current market conditions when considering the average length of maturity of the portfolio. To measure the average length the weighted average maturity of securities in the portfolio will be used. The weighted average maturity of the portfolio shall not exceed 18 months.

The following maturity schedule will assist the Investment Officer when considering a securities maturity date.

Under 36 months	100%
Under 18 months	50% minimum
Under 6 months	20% minimum

IX. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This 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 expected income to be derived.”

Limitation of personal liability. The Investment Officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy, and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio.

X. INTERNAL CONTROLS

The City will maintain a structure of internal controls sufficient to assure the safekeeping and security of all investments. All out of compliance situations under this policy will be corrected and brought into compliance as soon as prudently possible.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, wire transfers, banking services contracts, and other investment-related activities.

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the Council.

CITY OF ALBANY
INVESTMENT POLICY AND PORTFOLIO GUIDELINES
Revised: November 16, 2005

XI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Investment Officer shall maintain a list of all authorized brokers/dealers and financial institutions that are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the City of Albany and upon due consideration and approval will be added to the list. Additions and deletions to the list will be made at the discretion of the Assistant City Manager/Chief Financial Officer. At the request of the City of Albany, the firms performing investment services shall provide their most recent financial statements or Consolidated Report of Condition for review. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of the brokers/dealers who will have contact with the City of Albany as specified by, but not necessarily limited to the National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC), etc. The Investment Officer shall conduct an annual evaluation of each firm's credit worthiness to determine if it should remain on the list. Securities brokers/dealers not affiliated with a bank shall be required to have an office located in Oregon and be classified as reporting dealers affiliated with the Federal Reserve as primary dealers.

All dealers with whom the City transacts business will be provided a copy of this Investment Policy to ensure that they are familiar with the goals and objectives of the investment program.

The City of Albany may enter into contracts with external investment management firms as it applies to the investment of its short-term operating funds and capital funds including bond proceeds and bond reserve funds.

If an Investment Manager is hired, the Manager will serve as a fiduciary for the City of Albany and comply with all requirements of this investment policy. The Investment Officer remains the person ultimately responsible for the prudent management of the portfolio.

Factors to be considered when hiring an investment management firm may include, but are not limited to:

1. The firm's major business.
2. Ownership and organization of the firm.
3. The background and experience of key members of the firm, including the portfolio manager expected to be responsible for the City of Albany's account.
4. The size of the firm's assets base, and the portion of that base which would be made up by the City of Albany's portfolio if the firm were hired.
5. Management Fees.
6. Cost Analysis of Manager.
7. Performance of the investment management firm, net of all fees, versus the Local Government Investment Pool over a given period of time.

The Investment Manager will provide promptly a copy of every investment transaction ticket and trade confirmation to the Investment Officer of the City. No less often than quarterly, the Investment Officer of the City will conduct a review of investment activity subject to this policy. In support of such review, the Investment Manager will prepare a written report including a list of investment transactions during the period under review; a list of then - current investment holdings; the par or face value, cost, current market value, yield at cost, and maturity or average life of each such holding; and the percentage, measured at cost, which each holding represents in proportion to the total cost of all investments in the fund or account.

CITY OF ALBANY
INVESTMENT POLICY AND PORTFOLIO GUIDELINES
Revised: November 16, 2005

XII. PURCHASE OF DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

The purchase of derivatives and use of reverse repurchase agreements are specifically prohibited by this policy.

XIII. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by the City, an independent third-party financial institution, or the City's designated depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third-party custodian shall be required to issue original safekeeping receipts to the City listing each specific security, rate, description, maturity, and cusip number. Each safekeeping receipt will clearly state that the security is held for the City or pledged to the City.

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent third-party bank. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level will be as follows:

US Treasury Obligations	102%
US Agency Discount and Coupon Securities	102%
Mortgage Backed and Other	*103%
* Limited to ORS294.035 (1)	

XIV. PERFORMANCE EVALUATION AND REPORTING

The performance of the City of Albany will be measured against the performance of the Local Government Investment Pool, using monthly net yield of both portfolios as the yardstick. Preservation of capital and maintenance of sufficient liquidity will be considered prior to attainment of market return performance. Given these considerations, the City's portfolio should provide a net yield that is equal or better to that attained by the Local Government Investment Pool. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return. This would include any in-house management of the funds, as well as outside management

The Investment Officer shall submit monthly and annual reports to the local governing board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program.

At minimum, this report shall contain:

- Beginning and ending market value of the portfolio by market sector and total portfolio
- Beginning and ending book value of the portfolio by market sector and total portfolio

CITY OF ALBANY
INVESTMENT POLICY AND PORTFOLIO GUIDELINES
Revised: November 16, 2005

- Detailed reporting on each asset (book, market, and maturity dates at a minimum)
- Overall current yield to maturity of the portfolio
- Overall weighted average maturity of the portfolio
- Maximum maturities in the portfolio

XV. INVESTMENT POLICY ADOPTION BY GOVERNING BOARD

This investment policy will be formally adopted by the Albany City Council. The policy shall be reviewed on an annual basis by the Investment Officer and the Albany City Council. Material revisions to this policy will require a review by the Oregon Short Term Fund Board, pursuant to ORS.

The City of Albany shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).