BOARD OF EDUCATION
Portland Public Schools
STUDY SESSION
May 13, 2013

Board Auditorium
Blanchard Education Service Center
501 North Dixon Street
Portland, Oregon 97227

Note: *Those wishing to speak before the School Board should sign the public comment sheet prior to the start of the regular meeting. No additional speakers will be accepted after the sign-in sheet is removed, but the public is welcome to sign up for the next meeting. While the School Board wants to hear from the public, comments must be limited to three minutes. The public must abide by the Board's Rules of Conduct for Board meetings.*

Public comment related to an action item on the agenda will be heard immediately following staff presentation on that issue. Public comment on all other matters will be heard during the "Public Comment" time.

This meeting may be taped and televised by the media.

STUDY SESSION AGENDA

1.	**CELEBRATING GRANT CONSTITUTION TEAM**	6:00 pm
2.	**PUBLIC COMMENT**	6:15 pm
3.	**CITIZENS BUDGET REVIEW COMMITTEE REPORT TO THE BOARD**	6:35 pm
4.	**BUDGET DISCUSSION** - *Board as Budget Committee*	7:10 pm
5.	**DISCUSSION: PROPOSED AFFIRMATIVE ACTION POLICY**	8:10 pm
6.	**FIRST READING: AMENDED CASH MANAGEMENT POLICY**	8:40 pm
7.	**FIRST READING: AMENDED CAPITAL ASSET RENEWAL POLICY**	8:50 pm
8.	**ADJOURN**	9:00 pm

The next meeting of the Board will be held on **May 20, 2013,** at **6:00 pm** in the Board Auditorium at the Blanchard Education Service Center.

Portland Public Schools Nondiscrimination Statement

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. All individuals and groups shall be treated with fairness in all activities, programs and operations, without regard to age, color, creed, disability, marital status, national origin, race, religion, sex, or sexual orientation.
Board of Education Policy 1.80.020-P

Board of Education

Staff Report to the Board

Board Meeting Date: May 13, 2013
Executive Committee Lead: Lolenzo Poe & Jollee Patterson
Department(s): Office of Equity & Partnerships and General Counsel
Presenter/Staff Lead: Lolenzo Poe, Jollee Patterson & Sean Murray

SUBJECT: Affirmative Action Policy & Nondiscrimination Policy Revision

BACKGROUND

On June 13, 2011, Portland Public Schools Racial Educational Equity Policy (2.10.010-P) was adopted by Resolution No. 4459. This Policy directs the Superintendent to develop action plans with clear accountability and metrics, including prioritizing staffing and budget allocations, which will result in measurable results on a yearly basis towards achieving the policy's stated goals. The Policy identifies six key goals. "Goal C" states:

> *The District shall recruit, employ, support and retain racially and linguistically diverse and culturally competent administrative, instructional and support personnel, and shall provide professional development to strengthen employees' knowledge and skills for eliminating racial and ethnic disparities in achievement. Additionally, in alignment with the Oregon Minority Teacher Act, the District shall actively strive to have our teacher and administrator workforces reflect the diversity of our student body*."

In 1991, the Oregon Legislature, recognizing the disparity between its diverse student population and predominantly European-American teacher workforce, drafted the Minority Teacher Act. It reads:

> *The State of Oregon is committed to ethnic-racial equity and, therefore, it is the goal of the state that by the year 2001, the number of minority teachers, including administrators, employed by school districts and education service districts shall be approximately proportionate to the number of minority children enrolled in the public schools of this state.*

In order to address Goal C of the Racial Educational Equity Policy, the Superintendent is presenting both (a) a revision to the District's Nondiscrimination Policy (1.80.020-P) and (b) a first draft of an Affirmative Action Policy.

RELATED POLICIES / BOARD GOALS AND PRIORITIES

- Portland Public Schools Racial Educational Equity Policy (2.10.010-P)
- Nondiscrimination Policy (1.80.020-P)
- 2012-2013 Board Priority B: *"The Board has continued to adopt policies that further equity in the District, including the Equity in Public Contracting Policy (by July 2012) and*

Reviewed and Approved by Lolenzo Poe & Jollee Patterson

the Affirmative Action/Diversity in Staffing Policy (by June 2013) to ensure that the District has an environment that allows for a diverse workforce and pool of contractors reflective of the community we serve."

PROCESS / COMMUNITY ENGAGEMENT

We are engaging a variety of internal and external partners as well as content experts to solicit feedback and input.

ALIGNMENT WITH EQUITY POLICY IMPLEMENTATION PLAN

The Affirmative Action Policy directly addresses Strategy C9 of the 2012-2017 Racial Equity Plan: "Facilitate development, adoption and implementation of an affirmative action policy."

BUDGET / RESOURCE IMPLICATIONS

We are in the process of finalizing baseline data analyses. Funds have been requested for the 2013-2014 school year to develop the Affirmative Action Plan. Once the plan is finalized, we will be able to better understand and articulate the cost of implementation.

Policy implementation will incur costs including but not limited to: (1) staff time to implement the affirmative action plan—including staff training and monitoring processes (2) third-party annual reporting (3) staff time to handle investigations.

NEXT STEPS / TIMELINE / COMMUNICATION PLAN

Next steps:
1) Continue to collect feedback from internal and external stakeholders
2) Bring draft to the Board in June for first reading and July for adoption
3) Develop and implement Affirmative Action Plan

The Chief Equity Officer will lead development and implementation of the Affirmation Action Plan in collaboration with the Chief Human Resources Officer.

QUESTIONS FOR BOARD DISCUSSION

1) Do you have any initial questions, comments and/or concerns regarding these proposed policies?

ATTACHMENTS

Attached for your review:
1) Draft of the Affirmative Action Policy
2) Current Nondiscrimination Policy (1.80.020-P)
3) Draft of revision to Nondiscrimination Policy (1.80.020-P)
4) 2011 Minority Teacher Act Report

DRAFT

Non-Discrimination Policy

(Revision of Board Policy 1.80.020)

The District is committed to equal opportunity and nondiscrimination in all its educational and employment activities. The District prohibits discrimination based on race; national or ethnic origin; color; sex; religion; age; sexual orientation; gender expression or identity; pregnancy; marital status; familial status; economic status or source of income; mental or physical disability or perceived disability; or military service.

DRAFT

(New Policy) Affirmative Action Policy

In order to close the racial achievement gap and better serve all students, Portland Public Schools staff must reflect the diversity of the students we serve. The Board of Education's Racial Educational Equity Policy, 2.10.010-P, requires the school district to "recruit, employ, support and retain racially and linguistically diverse and culturally competent administrative, instructional and support personnel." Oregon state law, as articulated in the Minority Teachers Act, states that "the number of minority teachers, including administrators, employed by school districts and education service districts shall be approximately proportionate to the number of minority children enrolled in the public schools of this state." ORS § 342.437. This Affirmative Action Policy sets forth the Portland Public School District's prohibition against discrimination, directs the Superintendent to create and implement an Affirmative Action/Equal Employment Opportunity Plan (AA/EEO Plan), and establishes the goal that the District will come into compliance with goal established by the Oregon Minority Teachers Act.

<u>Equal Employment Opportunity</u>

The District shall provide equal employment opportunity for all applicants and staff in recruitment, hiring, assignment, training, retention, transfer and promotion. All employment actions shall be in accordance with the Board Policy of Non-Discrimination, 1.80.020. The District shall comply with all federal, state and local laws relevant to equal employment and non-discrimination.

The District will not tolerate retaliation against any individual who reports discrimination or harassment; or testifies, assists or participates in any manner in an investigation, proceeding or hearing, regardless of the outcome of the complaint. Conduct that would likely deter an individual from reporting or supporting a claim may constitute retaliation. Retaliation can occur even if the underlying complaint or harassment or discrimination is not substantiated.

The Superintendent shall designate the Chief Human Resources Officer to oversee compliance with equal employment and non-discrimination.

Affirmative Action – Employment

In order to comply with the Racial Educational Equity Policy and the Oregon Minority Teachers Act, the District will make meaningful efforts to recruit, employ, support and retain a qualified work force that reflects the diversity of our student body. The Board expects to see measurable progress every year in reaching the goal established by the Oregon Minority Teachers Act. This goal will both help ensure a work and school environment free from discrimination, and will contribute to enhance student performance and the elimination of the achievement gap. To this end, the Board directs the Superintendent to develop and implement an AA/EEO Plan. The Board further directs the Superintendent to designate an Affirmative Action Officer to oversee the implementation of, and compliance with, the AA/EEO Plan.

The Board expects the AA/EEO Plan to include affirmative measures designed to ensure equal employment opportunities. The AA/EEO Plan shall identify job groups that show the underutilization of staff based on race or gender within the District; set reasonable employment goals and timetables for increasing the diversity of our staff; and establish a plan of action to enable the District to reach these employment goals.

The goals articulated in this policy and the AA/EEO Plan are not rigid, inflexible quotas that must be met, but rather targets reasonably attainable by implementing best practices and applying good faith efforts. Neither this policy, nor the AA/EEO Plan,, permit discrimination against any individual or group of individuals with respect to any employment opportunity for which the individual is qualified . Nothing herein is intended to sanction the discriminatory treatment of any person.

The Board further directs that all District employment policies, practices, and procedures will be examined periodically to ensure they are nondiscriminatory. These policies, practices and procedures are to be implemented by all administrative personnel, directors, personnel officers and anyone else who has responsibility for personnel functions. . Equal employment opportunity and affirmative action are the responsibility of the entire District's workforce.

The Board directs the Superintendent to report annually on the implementation of this policy and the progress of the AA/EEO Plan.

Minority Teacher Act, ORS 342.433 to 342.449; Federal and state laws prohibiting discrimination in employment, including, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, and ORS Chapter 659A; No Child Left Behind Act of 2001, Pub. Law. 107-110 (2002)

1.80.020-P Nondiscrimination

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. All individuals and groups shall be treated with fairness in all activities, programs and operations, without regard to age, color, creed, disability, marital status, national origin, race, religion, sex, or sexual orientation. This standard applies to all Board policies and administrative directives.

Legal References: ORS 192.630; ORS 659.015; ORS 659.035; ORS 659.037; ORS 659.020; ORS 659.028; ORS 659.029; ORS 659.030; ORS 659.150; ORS 659.165; ORS 659.340; ORS 659.405; OAR 581-021-0045; OAR 581-021-0046; OAR 581-022-1140; Title VI of the Civil Rights Act of 1964, 42 U.S.C.A. Section 2000(d) (West 1985); Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C.A. Section 2000(e) et seq. (West 1985); Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C.A. Section 621 (West 1985); Age Discrimination Act of 1975, as amended, 42 U.S.C.A. Section 6101 (West 1985); Equal Pay Act of 1963, as amended, 29 U.S.C.A. Section 206(d) (West 1985); Rehabilitation Act of 1973, 29 U.S.C.A. Sections 504, 791, 793 and 794 (West 1985); Title IX of the Education Amendments of 1972, 20 U.S.C.A. Sections 1681, 1682 and 1683 (West 1985); Americans with Disabilities Act of 1990, 42 U.S.C. Section 12101 et seq. 29 CFR Part 1630; Wygant v. Jackson Board of Education, 476 U.S. 267 (1989)

History: Adpt 2/13/97; Amd 9/9/02; BA 2417

Board of Education

Staff Report to the Board

Board Meeting Date: April 29, 2013

Executive Committee Lead: Neil Sullivan

Department: Finance Administration

Presenter/Staff Lead: Neil Sullivan

SUBJECT: Update Board Policy 8.20.010-P Cash Management

BACKGROUND

The current Cash Management Policy was adopted in January of 1991 and a minor amendment was made to it in October of 2002. The government entities of Oregon are required to follow Oregon statutes in both investments entered into, and percentage of exposure in the various instruments. The District's current adopted Policy is more conservative than required by the State, and very restrictive.

The Oregon Short-Term Fund ("OSTF") is obligated under state statutes to "review and comment to the governing body" (ORS 294.135(a)) on written investment policies submitted to its Board. At its October 13, 2011 meeting, the OSTF Board reviewed Portland Public Schools' investment policy and recommended some minor changes.

RELATED POLICIES / BOARD GOALS AND PRIORITIES

8.20.010-P Cash Management Policy

PROCESS / COMMUNITY ENGAGEMENT

The policy has been reviewed and approved by the Oregon Short-Term Fund Board, who issued an approval letter dated November 3, 2011.

ALIGNMENT WITH EQUITY POLICY IMPLEMENTATION PLAN

Restriction of potential interest earnings will impede the District's ability to provide every student access to high quality and culturally relevant instruction, curriculum, support, facilities and other educational resources.

BUDGET / RESOURCE IMPLICATIONS

Without the adoption of the updated policy, potential interest earnings will be restricted and efficient investment of the new capital bond revenues will be obstructed.

Reviewed and Approved by Executive Committee Lead Neil A. Sullivan

NEXT STEPS / TIMELINE / COMMUNICATION PLAN

It is recommended that this updated Policy be adopted prior to May 1, 2013, before the first capital bonds are marketed.

QUESTIONS FOR BOARD DISCUSSION

ATTACHMENTS

(1) Updated Investment Policy
(2) Oregon Short Term Fund Board letter of November 3, 2011

Portland Public School District 1st Reading

DATE: May 13, 2013

Notice of Proposed Policy and Public Comment for Amended Policy: Cash Management

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The Portland Public School District is providing Notice of Proposed Amended Policy and Public Comment to offer interested parties reasonable opportunity to submit data or comments on the proposed policies noted below.

Public comment may be submitted in writing directly to the district or through the district Web site noted below. Written comments must be submitted by 5:00 p.m. on the Last Date for Comment listed below.

1st Reading by: Greg Belisle, Co-Chair, Portland Public School Board
Summary: Amended Policy: Cash Management

Draft Policy Web Site:
http://www.pps.k12.or.us/departments/board/872.htm
(click on draft policy link)

Recommended for 1st Reading by: Board of Education
Policy Contact: Kathryn Sofich
Last Date for Comment: June 3, 2013
Address: P.O. Box 3107, Portland, OR 97208-3107
Telephone: 503-916-3741
E-mail: ksofich@pps.net

Last Date for Comment: June 3, 2013

I. Scope and Pooling of Funds

This cash management policy applies to all cash activities and funds under the control of Multnomah County School District No. 1J ("the District"). This policy applies to the investment of operating funds, capital funds including bond proceeds, and bond reserve funds held by Portland Public Schools. This policy excludes petty cash activities.

The average size of the District's investment portfolio approximates $125,000,000, with an approximate seasonal high and low of $200,000,000 and $30,000,000, respectively. Average ranges do not include proceeds of General Long-Term Obligation Bonds, notes etc., if any.

II. General Objectives

It is the District's policy to invest public funds not required for immediate expenditure in a manner which will provide safety of principal, maintenance of a liquid position, and the maximum return on cash invested, while meeting daily cash flow demands and conforming to Oregon Revised Statutes (ORS).

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield, with each objective discussed below.

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The object will be to mitigate both credit and interest rate risks.

(a) Credit Risk

The District will minimize the risk of loss due to the financial failure of the security issuer or backer, by:

- Concentrating its investments in the safest types of securities.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the District will do business.
- Diversifying the investment portfolio to minimize potential losses.
- Actively monitoring the investment portfolio holdings for changes in credit ratings and economic / market conditions.

(b) Interest Rate Risk

The District will minimize the risk of market value decline by:

- Structuring the investment portfolio so that maturing securities meet cash requirements for ongoing operations and/or capital projects, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities or short-term

investment pools.

2. Liquidity

The investment portfolio shall be kept sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Since all possible cash demands cannot be anticipated, the portfolio shall consist of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in the Oregon Short-Term Funds, or similar investment offering next-day liquidity.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. High returns on investments are of secondary importance compared to the safety and liquidity objectives described above. The majority of the portfolio is limited to highly-rated / low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity, unless:

- A security with a declining credit rating may be sold early to prevent or minimize loss of principal.
- An unanticipated cash demand requires that the security be sold.
- A security swap would improve the quality, yield, or target duration of the portfolio.
  - Security swaps will be made only with specific approval of the CFO or, if absent, the CFO's designee.

III. Standards of Care

1. 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. Investment officers acting in accordance with written procedures and this investment policy, and exercising due diligence, shall be relieved of personal responsibility.

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.

2. Ethics and Conflicts of Interest

Officers and employees 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 disclose any material interest 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 District. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

3. **Responsibility**

The District's Board delegates, through the Superintendent to the Chief Financial Officer (CFO), the responsibility of implementing this policy.

Day-to-day administration of this investment policy shall be managed by the CFO and delegated to his/her designee. The CFO or designee, hereinafter referred to as Investment Officer, shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities of subordinate officials.

IV. Safekeeping and Custody

1. **Authorized Financial Dealers and Institutions**

A list will be maintained of approved financial institutions authorized to provide investment and safekeeping services. In addition, a list will also be maintained of approved security brokers / dealers selected by creditworthiness and other factors considered relevant by the District. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) rule 15c3-1 (uniform net capital rule). Qualified dealers and brokers will be required to maintain an office in the States of Oregon or Washington. The District will limit all security purchases to institutions on these approved lists. All financial institutions and broker/dealers who wish to qualify for District investment transactions must supply the following, as appropriate:

- Audited financial statements.
- Proof of Financial Industry Regulatory Authority (FINRA) certification.
- Proof of state registration.
- Certification of having read and understood the District's investment policy.
- Certification of agreement to comply with the District's investment policy.

The Investment Officer will conduct an annual review of the financial condition and registration of qualified financial institutions and broker/dealers.

V. Internal Controls

The Investment Officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of the District from loss, theft or misuse.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.
Accordingly, the Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

1. Accounting Method

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

2. Delivery and Safekeeping

The purchase and sale of securities, repurchase agreements and guaranteed investment contract transactions shall be settled on a delivery-versus-payment basis (DVP) in accordance with ORS 294.145(4), ORS 294.145(5) and GFOA recommended practices. It is the District's intent that all purchased securities shall be delivered to the district's third-party custodian in the account name of the district. Sufficient evidence to title shall be consistent with modern investment and commercial practices.

3. Collateralization

All bank deposits, time deposits, certificates of deposit, and savings accounts shall be held in qualified Oregon depositories and collateralized in accordance with ORS Chapter 295.

ORS 294.035(3)(j) requires repurchase agreements be limited in maturity to three years and priced according to the written policy of the Oregon Investment Council or the Oregon Short-Term Fund Board. On March 12, 1996, the OSTF Board adopted the following margins:

- US Treasuries: 102%.
- US Agency discount and coupon securities: 102%.
- Mortgage-backed securities, although allowed by ORS Chapter 294, are not allowed as repurchase agreement collateral under this policy.

Prior to entering into any repurchase agreement, a signed Master Repurchase Agreement must be in place between the District and the securities dealer. At a minimum, the District will monitor the collateral requirements weekly for guaranteed investment contracts.

4. Pooling of Funds

Except for cash in certain restricted and special funds, the District will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with GAAP.

VI. Suitable and Authorized Investments

The following investments will be permitted by this policy and are authorized for investment under ORS 294.035, ORS 294.046, ORS 294.052, ORS 294.805 and 294.810:

1. U.S. Treasury securities and other lawfully issued general obligations of the United States, including general obligations of agencies and instrumentalities of the United States or enterprises sponsored by the United States government.
2. Debt of the agencies and instrumentalities of the states of Oregon, California, Idaho and Washington and their political subdivisions.
3. Time deposit open accounts, certificates of deposit, share accounts and savings accounts.
4. Bankers' acceptances.
5. Corporate indebtedness.
6. Repurchase agreements.
7. Oregon Short-Term Fund, also known as Local Government Investment Pool ("LGIP").
8. The District may invest up to 100% of the proceeds from any bond issue in investment agreements that meet the requirements of ORS 294.052 and the repurchase agreement collateral requirements and restrictions of this policy.
9. Demand checking accounts are excluded from this policy scope.

VII. Investment Parameters

1. Diversification

Investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
- Investing in securities that have high credit quality;
- Limiting investments in securities with high interest-rate risk, such as variable-rate securities;
- Investing in securities with varying maturities; and
- Continuously investing a portion of the portfolio in ready available funds such as the Oregon Short-Term Fund (or LGIP).

2. Maximum Maturities and Percentage of Investments by Type

The maximum percentages for direct investments of surplus funds are as shown in the chart below. Surplus funds are defined as the sum of all investments, cash balances, deposit balances of all types, and LGIP balances. The maximum maturity is measured from the settlement date of the investment transaction.

Capital project funds are funds specifically dedicated to capital projects, and will typically include proceeds from the District's bond sales. All bond fund reserves will be considered to be capital project funds. With Board approval, the District may designate other funds as capital project funds. Operating funds are all surplus funds that are not capital project funds. Per subsection 4 of this section, Credit Ratings, minimum ratings are required on certain investments pursuant to ORS 294.035.

Security	Maximum % of Total Portfolio	Maximum Maturity
US Treasury Bills, Notes and Bonds, and Obligations secured by the US Treasury	100%	18 months for operating funds; 5 years for capital project funds
US Government Agencies and Instrumentalities, including Government-Sponsored Enterprises	100%	18 months for operating funds; 5 years for capital project funds
State and Local Government Securities	30%	18 months for operating funds; 5 years for capital project funds
Time Certificates of Deposit	50%	18 months
Repurchase Agreements	25%	30 days
Bankers Acceptances	25%	6 months
Corporate Indebtedness (commercial paper and bonds)	35%	18 months
OSTF – Local Government Investment Pool	Pool Limit	Pool Maximum

In order to achieve issuer diversification, this policy sets limits on the maximum holdings by issuer for certain investment types.

- There shall be a limit of 50% of the portfolio held in securities issued by any single US government agency.
- Time certificates of deposit and bankers acceptances can all be issued by a single banking institution. In order to avoid over-concentration in a single banking institution, there shall be a limit of 10% for overall holdings in one institution.

In addition to this policy, ORS 294.035 limits investments in corporate indebtedness to 35% of the total investment portfolio, with no more than 5% of total funds invested in a single corporate entity and its affiliates or subsidiaries.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made.

3. Liquidity of Funds

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as OSTF or overnight repurchase agreements, or held in bank balances to ensure sufficient liquidity to meet ongoing obligations.

Maturity limitations will depend upon whether the funds being invested are considered short- or long-term funds. Surplus funds will be considered operating funds, except those reserved for capital projects. Except for special situations, as directed by the Investment Officer, investments will be limited to maturities not exceeding 18 months.

Short-term portfolio investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs. In addition, the following maturity limits are designed to ensure liquidity in the portfolio:

Length of Maturity	Minimum % of Total Portfolio
Under 30 days	10%
Under 90 days	25%
Under 365 days	90%
Under 18 months	100%

If these maturity limits are inadvertently exceeded at the time of a specific investment, the purchase does not need to be liquidated. However, subsequent investments must not be made to longer maturity dates until the limits will be met.

The 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, the applicable bond covenants or applicable tax laws, whichever are most restrictive.

This investment policy was submitted and approved by the OSTF Board as specified above and in accordance with ORS 294.135(1)(a).

4. Credit Ratings

Minimum credit rating levels for permissible investments are set out in ORS 294.035. The District will only recognize ratings of Moody’s, S&P, and Fitch of the available Nationally-Recognized Statistical Rating Organizations (NRSROs). These credit rating levels apply to the security at the transaction settlement date. If a security's credit rating is subsequently down-graded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate, on a case-by-case basis, in order to determine if the security should be held or sold. The Investment Officer shall notify the CFO or his/her designee about the credit rating downgrade and whether the decision was made to sell or hold the security.

5. Securities Lending and Reverse Repurchase Agreements

The District shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

6. Bids and Offers

Before any security purchase or sale is initiated, the Investment Officer shall determine the appropriateness of seeking competitive bids or offers. Information about current market interest rate levels can be obtained from various sources, including investment dealers, financial websites and publications, and other sources. Factors to consider include where the securities are held, the size of the transaction, and the term to maturity. In the event competitive bids or offers are not considered, the decision not to do so shall be documented. When required by applicable tax laws or bond covenants, competitive bids and offers shall be sought for security purchases and sales of bond funds.

VIII. Reporting

1. Methods

The Investment Officer shall prepare a quarterly report, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last period. This management summary will be prepared in a manner which will allow the District to ascertain whether investment activities during the reporting period have conformed to this policy. The report shall be provided to the Board at least annually in accordance with ORS 294.155 and more frequently as the Board requests. The report will include the following:

- List of transactions occurring during the reporting period
- List of individual securities held at the end of the reporting period.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmark(s).
- List of investments by maturity date (or call date, as appropriate).
- Percentage of the total portfolio that each type of investment represents along with the percentages authorized in this policy.
- Performance relative to benchmark(s).

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The performance of the District's portfolio shall be measured against the performance of the Oregon Short-Term Fund, 90-day agencies, and 90-day treasuries. The average monthly net yield of the District's portfolio shall be used for such evaluation. Because bond proceeds are expected to be invested at the time they are received, and are therefore invested in the interest rate environment that exists at that point in time, that portion of the portfolio will be excluded from ongoing benchmark performance measurement.

3. **Mark to Market**

The market value of the portfolio shall be calculated, and a statement of the market value of the portfolio issued, at least monthly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark to Market Practices for State and Local Government Investment Portfolios and Investment Pools." This "Mark to Market" analysis is provided by the District's third-party investment custodial safekeeping agent.

IX. Administration of Cash Management Program

1. **Objectives.**

The District's objectives are to comply with both the letter and spirit of Board policy in a manner that permits efficient use of District resources and effective management control.

2. **Deposits.**

All District monies from all sources, however small in amount, are to be deposited daily into the designated bank account.

Arrangements shall be made to receive large amounts of money, such as bond settlements and recurring receipts, via wire/ACH transfers.

3. **Payments.**

All payments shall be made when approved and due, but not before they are due. Cash discounts will be analyzed to determine the cost/benefit of payment terms in relation to investment opportunities. No payments of any kind will be made from un-deposited cash.

4. **Commitments.**

Purchase commitments shall be made so that the time between receipt of items and services and the need for these items and services is minimized and monies are therefore not prematurely removed from investment availability.

5. **Cash Flow.**

A cash flow projection shall be prepared at the start of each fiscal year, indicating planned cash receipts and disbursements by month. This projection shall be approved by the CFO.

6. **Daily Cash Control.**

The District's staff is to account for cash balances daily by financial institution.

X. Banking Relationships

Banking services will be engaged by the District based solely on considerations of availability of required services, cost of those services, and any applicable legal requirements. Banking services will be engaged based on an open bidding process conducted at least once every ten (10) years and reviewed annually for continuing validity. The District will use one bank as its primary depository institution. The District may use different banks or financial institutions for investment purposes than those used for depository purposes.

XI. District Bank Account Administration

The CFO is the only officer with authority to direct a bank to open or close an account, and any additions of new, or deletions of existing, bank accounts will be at his / her direction.

All District bank accounts will have at least two authorized signers at all times. Student Body Accounts will require two original physical signatures on all checks, while disbursements from the District's primary accounts (Accounts Payable, Payroll, Risk Management) may be issued with electronic signature (ORS 294.120, Use of Facsimile Signatures). The CFO's is the only authorized electronic signature.

XII. Policy Adoption and Re-Adoption

This investment policy shall be reviewed on an annual basis by the Investment Officer, who shall submit the policy and proposed revisions to the OSTF if required. The policy and any revisions shall be presented annually to the Portland Public Schools Board of Education, which will review and approve the investment policy, and any revisions, annually.

END OF POLICY

Legal References;
ORS Chapters 244, 294 and 295

OREGON SHORT TERM
FUND BOARD
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97310-0840
(503) 378-4633
FAX (503) 373-1179

OREGON SHORT TERM FUND BOARD

November 3, 2011

Board of Education
Portland Public Schools
501 North Dixon Street
Portland, OR 97227-1807

SUBJECT: PORTLAND PUBLIC SCHOOLS INVESTMENT POLICY REVIEW

Dear Board Members,

The Portland Public Schools (Multnomah County School District 1J) investment policy was submitted by David Wynde and Hank Horn to the Oregon Short-Term Fund ("OSTF") Board (the "Board") for review.

The OSTF Board's statutory obligation is to "review and comment to the governing body" (ORS 294.135(a)) on the written investment policy submitted to the Board. To assist in the policy revision process, the Board developed a model policy laying out the elements it believes are important in policies. These are also the elements against which submitted policies are reviewed. As part of the local government investment policy review process, resources of the Office of the State Treasurer's staff ("Staff") are provided to assist as needed on policy revisions or development.

The Oregon Short-Term Fund Board reviewed the Portland Public Schools' investment policy at the OSTF Board meeting on October 13, 2011, and the Board is pleased to inform you that the statutory policy review requirement has been satisfied.

Comments by Board members and Staff were:

- Section I. Scope and Pooling of Funds
    - Consider removing the last sentence: "Investments of employees' retirement funds, deferred compensation funds, and other funds are not covered by this policy."
    - Consider excluding petty cash from the scope of the policy.
    - Consider excluding cash management tools such as checking deposits from the policy.
    - Consider adding reference to total amounts of funds that may fall under the scope of the policy over a three to five year period.
- Section III. Standards of Care
    - Subsection 2. Ethics and Conflicts of Interest
        - In the last sentence, replace "ORS 244" with "ORS Chapter 244"

- Section IV. Safekeeping and Custody
    - Subsection 1. Authorized Financial Dealers and Institutions
        - In the fifth line, replace "15C3-1" with "15c3-1".
        - In the list of bullet points citing information that must be submitted by financial institutions and broker/dealers that want to become qualified, replace "Proof of National Association of Securities Dealers (NASD) Certification" with "Proof of Financial Industry Regulatory Authority (FINRA) certification". FINRA is the successor organization to the NASD. FINRA was formed by a consolidation of the enforcement arm of the New York Stock Exchange, NYSE Regulation, Inc., and the NASD in 2007.
- Section VII. Delivery Safekeeping and Collateral - Section V.
    - Subsection 1. Delivery and Safekeeping Subsection 2.
        - In the third line, replace "ORS 291.145(5)" with "ORS 249.145(5)". S/b 294.145(5)
        - Consider rewording or replacing the sentence: "It is the intent of the District that all purchased securities shall be perfected in the name of the District" with "It is the intent of the District that all purchased securities shall be delivered to the District's third-party custodian in the account name of the District." This reflects the fact that securities are no longer delivered in physical form.
    - Subsection 2. Collateralization Subsection 3.
        - The first paragraph of this section notes that bank deposits, time deposits, certificates of deposit, and savings accounts are designated as cash management tools and not investments. This conflicts with Section VIII. #3. Section VI. #3.
- Section VIII. Suitable and Authorized Investments Section VI.
        - #3
            - If operating cash and cash management tools such as checking accounts are excluded from the policy, consider highlighting the exclusion in this section to avoid confusion. See #9.
- Section IX. Investment Parameters Section VII.
        - Subsection 2. Maximum Maturities and Percentage of Investments by Type
            - Consider noting that per subsection 4. Credit Ratings, minimum ratings are required on certain investments pursuant to ORS 294.035.
        - Subsection 3. Liquidity of Funds
            - Consider adding a maturity target profile for the overall portfolio. This was removed from the prior policy; however, this constraint helps to manage the overall portfolio interest rate risk.

              For example:
              Minimum 25% < 1 year to maturity
              Minimum 50% < 2 years to maturity
              Minimum 100% < 3 Years to maturity

Should any member of the Portland Public Schools Board of Education wish to discuss the policy, please feel free to call Tom Lofton, at the Office of the State Treasurer. The phone number is (503) 378-4155.

Sincerely,

Douglas E. Goe
Oregon Short Term Fund Board Chair
(503) 943-4810

cc: Ruth Adkins, Portland Public Schools Board of Education
Pam Knowles, Portland Public Schools Board of Education
Matt Morton, Portland Public Schools Board of Education
Trudy Sargent, Portland Public Schools Board of Education
Bobbie Regan, Portland Public Schools Board of Education
Greg Belisle, Portland Public Schools Board of Education
Martin Gonzalez, Portland Public Schools Board of Education
Henry Li, Portland Public Schools Board of Education
David Wynde, Deputy Chief Financial Officer, Portland Public Schools
Hank Horn, Treasury Manager, Portland Public Schools √
Tom Lofton, Oregon State Treasury

I. Scope and Pooling of Funds.

This cash management policy applies to all cash activities and funds under the control of ~~Portland Public Schools~~ Multnomah County School District No. 1J ("the District"). This policy applies to the investment of operating funds, capital funds including bond proceeds, and bond reserve funds held by Portland Public Schools. This policy excludes petty cash activities.

The average size of the District's investment portfolio approximates ~~$100,000,000. A seasonal high would approximate $210,000 ,000, while a seasonal low would approximate $40,000,000~~ $125,000,000, with an approximate seasonal high and low of $200,000,000 and $30,000,000 respectively. ~~portfolio~~ Average ranges do not include proceeds of General Long-Term Obligation Bonds, notes etc., if any.

~~Trust funds are also invested in accordance with this policy except when they are governed by individual trust agreements, which are more restrictive.~~

II. General Objectives.

It is the District's policy to invest public funds not required for immediate expenditure in a manner which will provide safety of principal, maintenance of a liquid position, and the maximum return on cash invested while meeting daily cash flow demands and conforming to Oregon Revised Statutes (ORS).

~~The cash management objectives of the District are, in order of importance:~~
The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield, with each objective discussed below.

1. ~~To preserve the~~ **Safety** ~~of District investment principal by limiting types of risk~~:

   Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The object will be to mitigate both credit and interest rate risks.

   (a) Credit Risk

   ~~The risk of default of a security issuer or backer. Credit Risk is minimized by~~ The District will minimize the risk of loss ~~diversifying the investment portfolio; that is, by limiting the District's exposure to an individual~~ due to the financial failure of the security issuer or backer by: ~~in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Credit Risk is also lessened by investigating the credit worthiness of a security issuer or backer, and by purchasing investments from those who are credit worthy.~~

See 1 (b) below

See (2) below

See (3) below

See page 13, section VIII (1)

~~1. Interest Rate Risk – the risk that the value of the portfolio will decline due to an increase in the general level of market interest rates. Interest Rate Risk is lessened by generally matching investment maturities with cash requirements so that sales prior to maturities (and the possibility of loss of principal) are minimized. Only investments, which can be held until maturity shall be purchased. Investments shall not be made predicated upon selling prior to maturity. This policy shall not preclude the sale of securities prior to their maturity in order to improve the quality, net yield, or maturity characteristic of the portfolio.~~

~~2. To maintain sufficient daily operating cash (liquidity) to pay District obligations when due while maximizing the amount of monies invested.~~

~~3. To earn the maximum return on cash invested (yield) consistent with applicable Federal and State Laws and District policies and regulations.~~

~~4. To inform the Board on both the status of investments and the overall cash management program of the District.~~

- Concentrating its investments in the safest types of securities.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the District will do business.
- Diversifying the investment portfolio to minimize potential losses.
- Actively monitoring the investment portfolio holdings for changes in credit ratings and economic / market conditions.

(b) Interest Rate Risk

The District will minimize the risk of market value decline by:

- Structuring the investment portfolio so that maturing securities meet cash requirements for ongoing operations and/or capital projects, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities or short-term investment pools.

2. Liquidity

The investment portfolio shall be kept sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Since all possible cash demands cannot be anticipated, the portfolio shall consist of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in the Oregon Short-Term Fund, or similar investment offering next-day liquidity.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. High returns on investments are of secondary importance compared to the safety and liquidity objectives described above. The majority of the portfolio is limited to highly-rated / low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity, unless:

- A security with a declining credit rating may be sold early to prevent or minimize loss of principal.
- An unanticipated cash demand requires that the security be sold.
- A security swap would improve the quality, yield, or target duration of the portfolio.
- Security swaps will be made only with specific approval of the CFO or, if absent, the CFO's designee.

III. Standards of Care

1. Prudence

The standard~~s~~ of prudence to be used by ~~the Cash Manager~~ investment officials shall be the "prudent ~~investor~~ person" ~~rule which ORS 293.726 defines as:~~ standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy, and exercising due diligence, shall be relieved of personal responsibility.

See paragraphs directly above and below

~~(a) "The investment funds shall be invested and the investments of those funds managed as a prudent investor would do under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund."~~
~~(b) The standard . . . requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund."~~

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 probably income to be derived.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or ~~which~~ that could impair their ability to ~~make impartial investment decisions. Employees shall~~ disclose ~~to the chief financial officer~~ any material interest in financial institutions that conduct business with the

District. 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 business transactions with the same individual with whom business is conducted on behalf of the District. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

3. Responsibility

The District's Board delegates, through the Superintendent to the chief financial officer (CFO), the responsibility for implementing this policy.

~~The~~ Day-to-day administration of ~~the~~ this ~~cash management program~~ investment policy shall be managed by the ~~controller's office~~ CFO ~~and~~ delegated to ~~the cash manager explicitly responsible for investment transactions~~ his / her designee. ~~The controller is responsible for all transactions and shall control and regulate the activities of subordinate personnel. In order to optimize total return through active portfolio management, resources shall be allocated to the cash management program. This commitment of resources shall include financial and staffing support~~. The CFO or designee, hereinafter referred to as Investment Officer, shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities of subordinate officials.

See page 3, section III (1)

~~(1) The superintendent, chief financial officer, controller, and cash manager, making cash management decisions, including investment decisions, acting in accordance with written procedures, and exercising due intelligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.~~

IV. Safekeeping and Custody

A list will be maintained of approved financial institutions authorized to provide investment and safekeeping services. In addition, a list will also be maintained of approved security brokers / dealers selected by creditworthiness and other factors considered relevant by the District. These may include "primary" dealers or regional dealers that qualify under the Securities and

Exchange Commission (SEC) rule 15d3-1 (uniform net capital rule). Qualified dealers and brokers will be required to maintain an office in the states of Oregon or Washington. The District will limit all security purchases to institutions on these approved lists. All financial institutions and broker / dealers who wish to qualify for District investment transactions must supply the following, as appropriate:

- Audited financial statements.
- Proof of Financial Industry Regulatory Authority (FINRA) certification.
- Proof of state registration.
- Certification of having read and understood the District's investment policy.
- Certification of agreement to comply with the District's investment policy.

The Investment Officer will conduct an annual review of the financial condition and registration of qualified financial institutions and broker / dealers.

V. Internal Controls.

The ~~cash manager~~ Investment Officer ~~shall~~ is responsible for establishing and maintaining ~~a system of written~~ an adequate internal control structure~~. These internal controls shall be~~ designed to ~~prevent loss of public funds due to fraud, error, misrepresentation, and imprudent actions~~ reasonably protect the assets of the District from loss, theft or misuse.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

1. Accounting Method

See page 4, section III (3)

~~The cash manager will routinely monitor the contents and changes in value of the portfolio, the available markets and the relative values of competing instruments and will adjust the portfolio, if necessary. The cash manager will monitor the portfolio for adherence to Oregon Revised Statues and this policy. The cash manager will provide regular reports to management evidencing compliance.~~

See section V (above)

~~The District's independent auditor will at least annually audit investments according to generally accepted auditing standards and this policy, as part of the annual financial audit of the District.~~

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

2. Delivery and Safekeeping

The purchase and sale of securities, repurchase agreements and guaranteed investment contract transactions shall be settled on a delivery-versus-payment basis (DVP) in accordance with ORS 294.145(4), ORS 294.145(5) and GFOA recommended practices. It is the District's intent that all purchased securities shall be delivered to the District's third-party custodian in the account name of the District. Sufficient evidence to title shall be consistent with modern investment and commercial practices.

3. Collateralization

All bank deposits, time deposits, certificates of deposit, and savings accounts shall be held in qualified Oregon depositories and collateralized in accordance with ORS Chapter 295.

ORS 294.035(3)(j) requires repurchase agreements be limited in maturity to three years and priced according to the written policy of the Oregon Investment Council or the Oregon Short-Term Fund Board. On March 12, 1996, the OSTF Board adopted the following margins:

- US Treasuries: 102%.
- US Agency discount and coupon securities: 102%.
- Mortgage-backed securities, although allowed by ORS Chapter 294, are not allowed as repurchase agreement collateral under this policy.

Prior to entering into any repurchase agreement, a signed Master Repurchase Agreement must be in place between the District and the securities dealer. At a minimum, the District will monitor the collateral requirements weekly for guaranteed investment contracts.

4. Pooling of ~~Cash Resources~~ Funds

Except for cash in certain restricted and special funds, the District will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with GAAP.

~~(1) All funds of the District are to be pooled into one or a small number of bank accounts in order to facilitate effective investment practices, except where prohibited by law or by terms of agreement with the funding source.~~
~~(2) Separate accounting by fund is to be maintained for the pooled cash resources.~~

~~(3) Investment earnings are to be allocated among the funds based on average daily balances contributed to the investment pool, with the exception of Special Revenue Funds. Investment earnings on Special Revenue Funds shall accrue to the General Fund.~~

~~**VI. Banking Relationships.**~~

~~(1) Bank services will be engaged by the District based solely on considerations of availability of required services, cost of those services, and any applicable legal requirements.~~

See page 15, section X

~~(2) Bank services will be engaged based on an open bidding process conducted at least once every ten (10) years and reviewed at least annually for continuing validity.~~

~~(3) The District will use one bank as the primary depository institution.~~

~~(4) The District may use different banks or other financial institutions for investment purposes than it does for depository purposes.~~

~~(5) Investments are to be placed on a competitive basis, considering legality, safety, type of security, yield, cost of transactions, and compliance with this policy.~~

VI. ~~Types of~~ Suitable and Authorized Investments ~~Instruments and Portfolio Constraints.~~

See table, page 9.

The following investments ~~may be made only in instruments~~ will be permitted by this policy and are authorized for investment under ORS 294.035 ~~through 294.048, 294.135,~~ ORS 294.046, ORS 294.052, ORS 294.805 and 294.810. ~~The cash manager shall not at any time permit investments in the following to exceed the percentages stated.~~

1. US. Treasury ~~Bills, Notes, Bonds and Separate Trading of Registered Interest and Principal Securities (STRIPS). Any amount up to 100% of invested monies.~~ Securities and other lawfully issued general obligations of the United States, including general obligations of agencies and instrumentalities of the United States or enterprises sponsored by the United States government.
2. Debt of the ~~U.S. Government~~ agencies and instrumentalities ~~Securities;~~
   ~~(a) These include Federal Farm Credit Bank, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Federal National Marketing Association, the Resolution Funding Corporation, and the Tennessee Valley Authority.~~
   ~~(b) Any amount up to 100 percent of invested monies.~~
   of the states of Oregon, California, Idaho and Washington and their political subdivisions.

See table, page 9

3. Time ~~Certificates of~~ deposit open accounts, certificates of deposit, share accounts and savings accounts.
4. ~~For commercial banks in Oregon insured by the Federal Deposit Insurance Corporation (FDIC), any amount up to 50 percent of invested monies. However, not to exceed ten percent of the total deposits of any single institution. The aggregate total of investments in Certificates of Deposit, together with~~ Bankers acceptances ~~and Commercial Paper invested with any one institution shall not exceed ten percent of the District's investments at settlement date~~.
5. Corporate indebtedness.

6. Repurchase Agreements.
   ~~(a) Any amount up to 20 percent of invested monies. This percentage may increase up to 100 percent of r a period not to exceed five working days, in order to accommodate short-term borrowing and/or tax turnovers. Only securities described in ORS 294.035(1) and ORS 294.035(11) shall be used as collateral for repurchase agreements and such securities shall have a maturity of not longer than three years (ORS 294.935(11)).~~
   ~~(b) Any firm through which the District transacts repurchase agreements must have on file with the District a fully executed copy of the District's Master Repurchase Agreement. All Repurchase Agreements must be in writing.~~
   ~~(c) Reverse repurchase agreements are prohibited.~~

See page 6, sect. V (3)

7. ~~Bankers Acceptances. Any amount up to 25 percent of invested monies, subject to ORS 294.035(8) as amended 1999~~. Oregon Short-term Fund, also known as Local Government Investment Pool ("LGIP").
8. The District may invest up to 100% of the proceeds from any ~~Municipal~~ bond issue ~~Any amount up to 25 percent of monies, subject to ORS 294.935(2), (3) as amended 1997.~~ in investment agreements that meet the requirements of ORS 294.052 and the repurchase agreement collateral requirements and restrictions of this policy.

See item 7 above.

~~Local Government Investment Pool. Any amount up to 100 percent of invested monies, subject to ORS 294.810(1), (2) as amended 1999.~~

See item 5 above

~~10. Corporate Indebtedness. Any amount up to 35 percent of invested monies with no more than five percent of the monies being invested in any one corporate entity and its affiliates or subsidiaries. Any corporate indebtedness must be rated on the settlement date in the highest category for short-term indebtedness or in either of the two highest rating categories for long-term or medium-term indebtedness by any nationally recognized statistical rating organization.~~

9. Demand checking accounts are excluded from this policy scope.

VII. Investment ~~Maturities~~ Parameters.

1. Diversification

Investments ~~maturities~~ shall be ~~scheduled to coincide with projected cash flow needs. The District will generally follow these guidelines~~ diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
- Investing in securities that have high credit quality;
- Limiting investments in securities with high interest-rate risk, such as variable-rate securities;
- Investing in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily-available funds such as the Oregon Short-Term Fund (or LGIP).

2. Maximum Maturities and Percentage of Investments by Type

The maximum percentages for direct investments of surplus funds are as shown in the chart below. Surplus funds are defined as the sum of all investments, cash balances, deposit balances of all types, and LGIP balances. The maximum maturity is measured from the settlement date of the investment transaction.

Capital project funds are funds specifically dedicated to capital projects, and will typically include proceeds from the District's bond sales. All bond fund reserves will be considered to be capital project funds. With Board approval, the District may designate other funds as capital project funds. Operating funds are all surplus funds that are not capital project funds.

Per subsection 4 of this section, Credit Ratings, minimum ratings are required on certain investments pursuant to ORS 294.035.

Security	Maximum % Of Total Portfolio	Maximum Maturity
US Treasury Bills, Notes and Bonds, and Obligations secured by the US Treasury	100%	18 months for operating funds; 5 years for capital project funds
US Government Agencies and Instrumentalities, including Government-Sponsored Enterprises	100%	18 months for operating funds; 5 years for capital project funds
State and Local Government Securities	30%	18 months for operating funds; 5 years for capital project funds
Time Certificates of Deposit	50%	18 months
Repurchase Agreements	25%	30 days
Bankers Acceptances	25%	6 months
Corporate Indebtedness (commercial paper and bonds)	35%	18 months
OSTF – Local Government Investment Pool	Pool Limit	Pool Maximum

In order to achieve issuer diversification, this policy sets limits on the maximum holdings by issuer for certain investment types.

- There shall be a limit of 50% of the portfolio held in securities issued by any single US government agency.

- Time certificates of deposit and bankers acceptances can all be issued by a single banking institution. In order to avoid over-concentration in a single banking institution, there shall be a limit of 10% for overall holdings in one institution.

In addition to this policy, ORS 294.035 limits investment sin corporate indebtedness to 35% of the total investment portfolio, with no more than 5% of total funds invested in a single corporate entity and its affiliates or subsidiaries.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made.

3. Liquidity of Funds

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as OSTF or overnight repurchase agreements, or held in bank balances to ensure sufficient liquidity to meet ongoing obligations.

Maturity limitations will depend upon whether the funds being invested are considered short- or long-term funds. Surplus funds will be considered operating funds, except those reserved for capital projects. Except for special situations, as directed by the Investment Officer, investments will be limited to maturities not exceeding 18 months.

Short-term portfolio investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs. In addition, the following maturity limits are designed to ensure liquidity in the portfolio:

Length of Maturity ~~Percent of Portfolio~~	Minimum % of Total Portfolio	
Under 30 days	10%	~~At the minimum, amount needed to provide for one month's cash flow needs~~
Under 90 days	25%	~~20% minimum~~
Under 365 days	90%	~~100% minimum~~
Under 18 months	100%	

If these maturity limits are inadvertently exceeded at the time of a specific investment, the purchase does not need to be liquidated. However, subsequent investments must not be made to longer maturity dates until the limits will be met.

The 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, the applicable bond covenants or applicable tax laws, whichever are most restrictive.

This investment policy was submitted to and approved by the OSTF Board as specified above and in accordance with ORS 294.135(1)(a).

See item 3 of this section

~~(1) Maturities over one year will be avoided, unless they can be matched with the specific expected use of funds as provided for by ORS 294.135. Maturities over 12 months for non-operating funds, such as proceeds from bonds, COPs and grants, are allowed by state statute following the review and approval of the Oregon Short-Term Fund Board.~~

~~(2) The Local Government Investment Pool is considered a one-day investment.~~

4. Credit Ratings

Minimum credit rating levels for permissible investments are set out in ORS 294.035. The District will only recognize ratings of Moody's, S&P, and Fitch of the available Nationally-Recognized Statistical Rating Organizations (RRSROs). These credit rating levels apply to the security at the transaction settlement date. If a security's credit rating is subsequently down-graded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate, on a case-by-case basis, in order to determine if the security should be held or sold. The Investment Officer shall notify the CFO or his/her designee about the credit rating downgrade and whether the decision was made to sell or hold the security.

5. Securities Lending and Reverse Repurchase Agreements

The District shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

~~**VIII. Competitive Selection of Investment Instruments.**~~

6. Bids and Offers

Before ~~the District invests funds~~ any security purchase or sale is initiated, the Investment Officer shall determine the appropriateness of seeking competitive bids ~~and~~ or offers ~~from several firms will be obtained~~. Information about current market interest rate levels can be obtained from various sources, including investment dealers, financial websites and publications, and other sources. Factors to consider include where the securities are held, the size of the transaction, and the term to maturity. ~~If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments, which meet the maturity requirement. If no specific maturity is required, a market trend (yield curve) analysis will be conducted to determine which maturities would be most advantageous.~~

~~A competitive price process will be used to solicit the best price when bids or offers are sought from financial institutions for prospective investments. The District will accept the competitive~~

~~price, which provides the highest rate of return within the maturity required and within District policy.~~

~~Records will be kept of the bids and offers shown and accepted. A brief explanation of the decision which was made regarding the investment will also be included, if applicable.~~ In the event competitive bids or offers are not considered, the decision not to do so shall be documented. When required by applicable tax laws or bond covenants, competitive bids and offers shall be sought for security purchases and sales of bond funds.

~~IX. Stability of Financial Institutions and Brokerage Firms.~~

See pages 1-2 , section II (a)

~~(1) The District will investigate the credit worthiness and experience of all brokerage firms and financial institutions prior to committing District monies. Each firm and financial institution performing investment services for the District will be required to submit its most recent financial statements or Consolidated Report of Condition (Call Report) for review. The chief financial officer will maintain a list of all dealers and financial institutions authorized to do business with the District.~~

~~(2) Additions and/or deletions to the established list will be made at the District's discretion.~~

~~(3) The District may purchase investments from firms meeting at least one of the following:~~

~~(a) Primary dealer as classified by the Federal Reserve Bank of New York;~~

~~(b) Qualified financial institutions of the State of Oregon;~~

~~(c) Broker-dealers in good standing with the National Association of Securities Dealers and which have an office within the District's geographic boundary that is supervised by an NASD qualified principal.~~

~~X. Safekeeping and Collateralization~~

See page 6, sections V (2) and (3)

~~(1) Investment securities purchased by the District will be delivered by either book entry or physical delivery, and held in third-party safekeeping by a bank designated as primary agent. The trust department of the bank designated as primary agent will be considered to be a third party for the purposes of safekeeping of securities purchased from that bank. The purchase and sale of all securities will be on a delivery versus payment (DVP) basis. The primary agent shall issue a safekeeping receipt to the District listing the specific instrument, rate, maturity and other pertinent information.~~

~~(2) The overnight collateralized time deposit account used in conjunction with the District's demand deposit account, for example, any sweep balances, shall not be subject to these safekeeping requirements. All repurchase agreements shall require safekeeping and a master repurchase agreement with the financial institution. In addition, all repurchase agreements will comply with ORS 294.935(11)~~

See page 6, section 3

~~(3) Deposit-type securities (i.e., certificates of deposit and demand deposit accounts) shall be collateralized through the state collateral pool as required by ORS 295.015 for any amount exceeding FDIC or FSLIC coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.~~

~~**XI. Accounting Method**. Investments will be carried at amortized cost. Gains or losses from investments will be credited or charged to investment income at the time of sale. Premiums or discounts on securities will be amortized over the life of the securities. The District 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 Governmental Accounting Standards Board (GASB).~~

See page 6, section 1

VIII. Reporting ~~Requirements.~~

1. Methods

The ~~cash manager~~ Investment Officer ~~will generate daily~~ shall prepare a quarterly report, ~~for~~ including a management ~~review of cash activities~~ summary that provides an analysis of the status of the current investment portfolio and transactions made over the last period. This management summary will be prepared in a manner which will allow the District to ascertain whether investment activities during the reporting period have conformed to this policy.
The ~~chief financial officer will~~ report shall be provided to the Board ~~with a report~~ at least annually ~~of the status of the investment portfolio,~~ in accordance with ORS 294.155 and more frequently as the Board requests. The report will include the following:

- List of transactions occurring during the reporting period.
- List of individual securities held at the end of the reporting period.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmark(s).
- List of investments by maturity date (or call date, as appropriate).
- Percentage of the total portfolio that each type of investment represents along with the percentages authorized in this policy.
- Performance relative to benchmark(s).

2. Performance ~~Evaluation~~ Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The performance of the District's portfolio shall be measured against the performance of the Oregon ~~Local Government Investment Pool~~ Short-Term Fund, ~~and the three-month~~ 90-day agencies, and 90-day treasuries ~~Bill's average yield~~. The average monthly net yield of the District's portfolio shall be used for such comparison or evaluation. Because bond proceeds are expected to be invested at the time they are received, and are therefore invested in the interest rate environment that exists at that point in time, that portion of the portfolio will be excluded from ongoing benchmark performance measurement.

3. Mark to Market

The market value of the portfolio shall be calculated, and a statement of the market value of the portfolio issued, at least monthly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark to Market Practices for State and Local Government Investment Portfolios and Investment Pools". This "Mark to Market" analysis is provided by the District's third-party investment custodial safekeeping agent.

IX. Administration of Cash Management Program

1. Objectives.

The ~~administrative~~ District's objectives are to comply both with the letter and the spirit of Board policy in a manner that makes efficient use of District resources and permits effective management control.

~~**Responsibility.** Responsibility for administering the cash management program is delegated from the chief financial officer, through the controller, to the cash manager.~~

See page 4, section 3

~~**Annual Objectives and Strategies.** The cash manager will prepare at the beginning of each fiscal year a statement of specific objectives and strategies, addressing cash availability, yield on investments, dollar return, and program efficiency. This statement is to be reviewed and approved by the controller and chief financial officer.~~

2. Deposits.

All District monies from all sources, however small in amount, are to be deposited daily into the designated ~~depository~~ bank account. ~~No cash payments of any kind are to be made from un-deposited cash.~~

Arrangements ~~are to~~ shall be made to have large amounts of money, such as bond settlements and recurring receipts, received via wire / ACH transfers.

3. Payments.

All payments ~~are to~~ shall be made when approved and due, but not before they are due. Cash discounts will be analyzed to determine the cost/benefit of payment terms in relation to investment opportunities. No payments of any kind will be made from un-deposited cash.

4. Commitments.

Purchase commitments ~~are to~~ shall be made so that the time between receipt of items and services and the need for these items and services is minimized and monies are therefore not prematurely removed from investment availability.

5. **Cash ~~Budget~~ Flow.**

A cash ~~budget~~ flow projection is to be prepared at the ~~beginning~~ start of each fiscal year, indicating planned cash receipts and disbursements by month. This ~~budget~~ projection ~~is to~~ shall be ~~prepared by the cash manager and~~ approved by the ~~controller and chief financial officer~~CFO.

See page 2, section II (2)

~~**Forecasts.** A forecast of expected cash receipts and disbursements is to be maintained by the cash manager on a weekly basis for 8 weeks in advance and updated weekly.~~

~~**Procedures.** The cash manager will maintain written administrative procedures for the operation of the investment program, consistent with the cash management policies.~~

6. **Daily Cash Control.**

The ~~cash manager~~ District's staff is to account for cash balances daily, ~~in total~~ by ~~bank account~~ financial institution.

See page 4, section III (3)

~~**Investment Control.** The cash manager is to conduct the investment activities of the District and to maintain accurate daily records of the transactions and status of all investment instruments and related collateral.~~

See page 13, section VIII

~~**Reporting.** The cash manager will report to the controller at regular intervals the status of the investment portfolio, the amounts in the bank accounts, and various indicators of the performance of the cash management program.~~

X. Administration of Cash Management Program

Banking services will be engaged by the District based solely on considerations of availability of required services, cost of those services, and any applicable legal requirements. Banking services will be engaged based on an open bidding process conducted at least once every ten (10) years and reviewed annually for continuing validity. The District will use one bank as its primary depository institution. The District may use different banks or financial institutions for investment purposes than those used for depository purposes.

XI. District Bank Account Administration

The CFO is the only officer with authority to direct a bank to open or close an account, and any additions of new, or deletions of existing, bank accounts will be at his / her direction.

All District bank accounts will have at least two authorized signers at all times. Student Body Accounts will require two original physical signatures on all checks, while disbursements from the District's primary accounts (Accounts Payable, Payroll, Risk Management) may be issued with electronic signature (ORS 294.129). The CFO's is the only authorized electronic signature.

XII. Policy Adoption and Re-Adoption

This investment policy shall be reviewed on an annual basis by the Investment Officer, who shall submit the policy and proposed revisions to the OSTF if required. The policy and any revisions shall be presented annually to the Portland Public Schools Board of Education, which will review and approve the investment policy, and any revisions, annually.

END OF POLICY

Legal References:
ORS Chapters 244, 294 and 295

~~Definition of Cash Equivalents~~

~~Pursuant to the Governmental Accounting Standards Board's (GASB) Statement No. 9 (Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds), the District considers monies in the Oregon State Local Government Investment Pool, savings deposits, demand deposits, and cash with the county treasurer to be cash equivalents. Any change in this definition is considered a change in accounting principle; requiring restatement of financial statements for earlier years presented for comparative purposes.~~

~~(Board Policy adopted January 10, 1991.)~~

~~Attachment A~~

~~US Government and Agency Securities~~

~~For Local Government Investment~~

~~Under ORS 294.035 and 294.040~~

~~Provided Pursuant to ORS 294.046~~

~~January, 1997 (Revised)*~~

~~US Treasury Issues~~~~:~~

~~(1) US Treasury Bills.~~
~~(2) US Treasury Notes.~~
~~(3) US Treasury Bonds.~~
~~(4) US Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities) and CUBES (July, 1994).~~

~~Available with maturities in the months of February, May, and November out to 30 years. STRIPS are created by separating the interest (coupon) and principal (the note or bond itself), thereby creating zero coupon securities that are sold at a deep discount and pay interest at maturity. STRIPS are direct obligations of the US Treasury, and are not to be confused with CATs, TIGRs, etc., which are proprietary products that represent a security interest in an underlying US Treasury security; these latter investments ARE NOT permissible investments for local governments.~~

~~Previously, when US Treasury Bonds were in physical form, they were literally separated into serial coupons from their respective bonds. This was before book entry; before proprietary products created by dealers that were security interests in some underlying note or bond; and, before the US Treasury itself allowed stripping of its longer debt issues. These old physically separated instruments (basically bearer securities) were converted by the Federal Reserve into wireable book entry form to make the STRIPS market more uniform. These former physical securities that have been so converted are called Coupons Under Book Entry Safekeeping (hence the acronym CUBES). These CUBES are very rare, trade at a higher rate than on-the-run comparable US Treasury STRIPS, and are extremely illiquid. Being old US Treasury securities, CUBES carry the same full faith and credit of the United States Government.~~

~~**Agencies and Instrumentalities of the United States:**~~

~~(1) Student Loan Marketing Association ("Sallie Mae") – Discount Notes, Fixed and Floating Rate Notes, Zero Coupon Notes (also issue nondollar denominated securities not eligible for local government investment).~~

~~(2) Federal Home Loan Banks (FHLB) – Discount Notes, Fixed and Floating Rate Notes, Bonds.~~

~~(3) Federal Farm Credit Banks (FFCB) – Consolidated System-wide Discount Notes, Fixed and Floating Rate Notes, Bonds.~~

~~(4) Federal National Mortgage Association ("Fannie Mae") – Discount Notes, Fixed Rate Notes, Debentures, Capital Notes, Residential Financing Securities, Mortgage-Backed Securities.~~

~~(5) Federal Home Loan Mortgage Corporation ("Freddie Mac") – Discount Notes, Debentures, Mortgage Participation Certificates (PCs), Collateralized Mortgage Obligation (CMOs).~~

~~(6) Government National Mortgage Association ("Ginnie Mae") – Mortgage-Backed Securities in 15 and 30 year maturities – guaranteed by the full faith and credit of the US Government. Collateralized by FHA, VA, and FMHA insured mortgage loans.~~

~~(7) Financing Corporation (FICO) – Bonds - 30 year issued – Principal repayment defeased by zero coupon Treasuries.~~

~~(8) Resolution Funding Corporation (REFCORP) – Strips and Bonds – 30 year issues – Principal collateralized by US Treasury interest payments backed by the US Treasury.~~

~~(9) Tennessee Valley Authority (TVA) – Discount Notes, Strips, Notes, and Bonds – Issues available in maturities out to 50 years.~~

~~(10) Farm Credit System Financial Assistance Corporation ("FCSFAC") – Bonds – 15 year issues – Backed by the full faith and credit of the US Government and medium Term Notes available in maturities as short as 9 months (01/17/97).~~

~~(11) Federal Land Banks (FLB) – Bonds – Currently issued through FFCB. (Banks for Cooperative and Federal Intermediate Credit Bank also issue through FFCB and have no direct issues outstanding.)~~

~~(12) Federal Housing Administration (FHA) – Debentures – Backed by the full faith and credit of the US Government.~~

~~(13) Farmers Home administration (FmHA) – Certificates of Beneficial ownership (CBOs). Backed by the full faith and credit of the US Government. Discontinued in 1975, small amount remains outstanding.~~

~~(14) General Services Administration (GSA) – Participation Certificates – Secured by the full faith and credit of the US Government. No new issues since 1974.~~

~~(15) Maritime Administration – Bonds – Collateralized by ship mortgages, further backed by the full faith and credit of the US Government in the event of default.~~

~~(16) Washington Metropolitan Area Transit Authority – Bonds – Backed by the full faith and credit of the US Government. Small amount remains outstanding.~~

~~(17) Small Business Administration (SBA) – Debentures – Backed by the full faith and credit of the US Government. Small amount remains outstanding.~~

~~(18) Department of Housing and Urban Development (HUD) – Notes, New Housing Authority Bonds – 40 year issues with 15 year calls. Backed by the full faith and credit of the US Government. No new issues since 1974. Small amount remains outstanding.~~

~~(19) United States Postal Service – Bonds – May be backed by the full faith and credit of the US Government. Small amount outstanding due 2/01/97 that are not guaranteed by the US Government.~~

~~(20) United States Department of Veterans Affairs Guaranteed REMIC Pass-Through Certificates Vendee Mortgage Trust 1992-1 ("Vinnie Mae"). The full and timely payment of principal and interest of these certificates is guaranteed by the Department of Veterans Affairs and this guarantee is further backed by the full faith and credit of the United States of America (9/14/92).~~

~~(21) Private Export Funding Corporation (PEFCO) – Fixed Rate Notes – interest is guaranteed by the Export-Import Bank of the United States (Eximbank, a Federal Agency) whose principal is secured by either cash, securities backed by the full faith and credit of the United States, or Guaranteed Importer Notes which are guaranteed by the Eximbank. The Secured Notes, which are rated AAA, have been issued periodically in amounts up to 200 million. (2/06/95)*~~

~~(22) Federal Agricultural Mortgage Corporation ("Farmer Mac"), a federally chartered instrumentality of the United States was created to provide capital for agricultural real estate and rural housing. Instruments range from discount notes to medium term notes. (1/13/97)~~

~~Pursuant to ORS 294.046, this list contains all "agencies and instrumentalities of the United States with available obligations that any county, municipality, political subdivision or school District may invest in…" Generally, all US Treasuries, and Agencies listed in 1 through 8 are appropriate investments for excess cash funds (if the maturities of such instruments are within the local government's investment guidelines). However, attention should be paid to any peculiar characteristics of some of the instruments. For example, mortgage-backed securities like GNMAs may have volatile prepayment characteristics, which may make their final maturities unknown. In falling interest rate cycles, borrowers whose underlying mortgages are the security for the GNMA bonds may refinance their loans accelerating the principal return to the investor. Therefore, the term for a GNMA cannot be relied upon to perform, for example, a debt defeasance. Agencies listed in 9 through 22 are viewed as less appropriate for local government investments, may be infrequently traded, and can be characterized by thin, illiquid markets.~~

~~International institutions in which the United States Government owns capital stock (paid-in or callable) are not eligible investments for local governments and are not listed here (World Bank, Asian Development Bank, Inter-American Development Bank, etc.,).~~

~~Recently, new types of investment instruments called "derivatives" or structured financing products have been created and issued through government agencies. These instruments are usually~~

~~marketed as floating rate securities but are really avenues for investors to make "bets" on the course and timing of future interest rates; exchange rates between various currencies; the future slope of the yield curve in both foreign and domestic markets; and virtually any combination of measurable economic parameters available. These instruments are extremely sophisticated, complex, volatile and for all practical purposes, illiquid. Extreme care and caution should be exercised when presented with such instruments, particularly if the initial coupon rate of return is very attractive relative to fixed coupon securities of the same maturity and issuer quality.~~

~~**Attachment B**~~

~~SUMMARY OF LIQUID INVESTMENTS AVAILABLE TO LOCAL GOVERNMENTS FOR SHORT-TERM FUND INVESTMENT JANUARY 1997~~

~~**Treasury Bills:** Considered the most secure and liquid short-term investment as they are fully guaranteed by the US Government, they are auctioned weekly at 13 week and 26 week bills; every four weeks as 52 week bills; and for special unscheduled auctions, as cash management bills. Minimum auction purchased are $10,000 and $5,000 increments thereafter. Cash management bills are auctioned in minimum lots of $1,000,000. Bills traded in the secondary market may be available in more flexible denominations [ORS 294.035 (1)].~~

~~**Treasury Notes:** Considered the more secure and liquid medium-term investment as they are fully guaranteed by the US Government. They are auctioned monthly as two year and five year notes; quarterly (February, May, August, and November) as three year notes; and (with the three year notes) as ten year notes with additional separate auctions in the months of July and October*. They are auctioned in minimum denominations of $1,000 or $5,000 [ORS 294.035 (1)].~~

~~**Treasury Bonds:** Considered the most secure and liquid long-term investment as they are fully guaranteed by the US Government, these thirty year bonds are auctioned semiannually (February and August, though previously quarterly with three year and ten year notes) in minimum denominations of $1,000 [ORS 294.035 (1)].~~

~~**Treasury STRIPS/CUBES:** These zero coupon US Government guaranteed securities are available in minimum denominations of $1,000 but are not periodically auctioned like bills, notes, or bonds. They are offered in the secondary market or are "created" by dealers on an order basis and are only available in monthly maturities on January 15, February 15, April 15*, May 15, August 15, October 15*, and November 15 out to thirty years. These instruments are created from the coupon or the actual principal of the underlying note or bond. Given matched maturity to bills, notes, and bonds, they are not as liquid [ORS 294.035 (1)].~~

~~Securities of US Government Agencies and US Government Sponsored Enterprises (GSEs): Considered the next more secure investment after Treasury securities, most are not US Government guaranteed, but are chartered and supervised by the US Government. Typically, they are available in minimum denominations of $1,000 to $1,000,000 depending on the issuer; with maturity ranges from one day (for discount notes) out to 40 years for notes and bonds; and with fixed, floating rate, and zero coupon features [ORS 294.035 (1)].~~

~~*Not available until October 1996~~

~~*THE ABOVE SECURITIES ARE ALLOWABLE SUBJECT TO ORS 294.040 (1). FOR A COMPLETE LISTING OF THE ABOVE SECURITIES, SEE THE JANUARY 1997 REVISED LIST.*~~

~~**Local Government Investment Pool:** No minimum investment; deposits are limited to a maximum of $30 million which may be temporarily exceeded for 20 business days by county governments and 10 days by other local governments. No limitation on pass-through funds [ORS 294.810].~~

~~**Repurchase Agreements:** Typically these are investment arrangements involving the purchase of US Government agency securities with a simultaneous agreement to resell them back to the same seller for the same dollar investment plus a fee. Amounts invested, rate, and terms are negotiable, but such repurchase transactions are limited to a 90 day maximum term. Maximum percentages for prices paid for the collateral securities are prescribed by the Oregon Investment Council for the Oregon Short-Term Fund Board [ORS 294.035 (11); ORS 294.135 (2)]. On March 12, 1996, the Board prescribed the following minimum pricing margins for repurchase collateral:~~

~~US Treasury Securities: 102%~~

~~US Agency Discount and coupon Securities: 102%~~

~~Mortgage Backed and Other: 103%*~~

~~**Bankers' Acceptances:** Appropriate if: guaranteed by, and carried on the books of, a qualified financial institution; eligible for discount by the Federal Reserve System; and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations. Acceptances are available in various denominations. They are limited to a 25% maximum of the monies of a local government available for investment on the settlement date per qualified financial institution [ORS 294.035 (8) (a), (b), (c)].~~

~~**Corporate Indebtedness (secured and unsecured):** These securities are corporate commercial paper and promissory notes that have minimum commercial paper ratings of A1 or P1 or long-term minimum ratings of Aa (Moody's) or AA (S&P) or equivalent by any nationally recognized statistical rating organization. The minimum credit quality may be lowered to A2, P2 for commercial paper and A for long-term if the issuer meets the criteria of paragraphs (A) and (B) of ORS 294.035 (9) (c). Commercial paper is typically not very liquid, though paper directly issued may be sold back to the issuer. For others, the secondary market is extremely limited. More active markets may be available for long-term notes and bonds. They are available in various denominations, maturities and payment features (floating rate, fixed, zeros, etc.) but are limited to 35% of the monies of a local government available for investment [ORS 294.035 (9), (a), (b), (c), (d)].~~

~~**Municipal Debt Obligations:** Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term debt rating of 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 [ORS 294.035 (2)]. Also, lawfully issued debt obligations of the States of California, Idaho and Washington and their political~~

~~subdivisions, if such obligations have a long-term rating of AA 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 [ORS 294.035 (3)]. For these latter obligations, they are allowable subject to ORS 294.040.~~

~~*Limited to those securities described in ORS 294.035 (1)~~

~~**Certificates of Deposits:** These are not a security, but a deposit in a qualified financial institution. They should be FDIC insured to $100,000 and further collateralized at 25% above the FDIC insurance. Available in various deposit amounts and maturities (flexibility subject to the amount), they have penalties for early withdrawal [ORS 295.035 (4).~~

~~*THIS LIST IS PROVIDED AS A COURTESY BY THE OREGON STATE TREASURY. ITS PURPOSE IS TO SUMMARIZE INVESTMENTS THAT ARE AVAILABLE TO LOCAL GOVERNMENTS PURSUANT TO THE OREGON REVISED STATUTES FOR SHORT-TERM FUNDS. THE TREASURY NEITHER RECOMMENDS NOR ADVISES AGAINST THE ABOVE INSTRUMENTS AND TRANSACTIONS. LOCAL GOVERNMENTS MUST ASSESS THE APPROPRIATENESS OF EACH INVESTMENT BASED ON MATURITY, CREDIT QUALITY, DIVERSITY, AND OTHER CONSIDERATIONS.*~~

~~Oregon statutes also permit certain other investments and transactions for special purpose funds in limited circumstances. For example, fixed or variable life insurance or annuity contracts; guaranteed investment contracts, and deferred compensation funds; share and savings accounts in credit unions and trusts [ORS 294.033 and ORS 294.035 (5), (6), (7)]. The Treasury recommends seeking the advice of legal counsel, if investments under ORS 294.035 (10) are contemplated. Reverse repurchase agreements are not listed above since they are not technically “investment securities or investment transactions” in the strictest sense. These are financing arrangements with a counterparty. This type of agreement is typically used as part of interest rate arbitrage and, to that extent, the same credit standards; delivery payment; market pricing; etc., for repurchase agreements (which is an investment vehicle) should apply to the transaction.~~

~~History: Adpt. 1/1/91; Amd. 10/28/02 BA 2458~~

Board of Education
Superintendent's Recommendation to the Board

Board Meeting Date: May 13, 2013

Executive Committee Lead: C. J. Sylvester
Chief Operating Officer

Department: Facilities and Asset Management

Presenter/Staff Lead: Tony Magliano
Deputy Chief Operating Officer

Agenda Action: _X_ Resolution _____Policy

SUBJECT: Capital Asset Renewal (CAR) Policy Clarification

BRIEF SUMMARY AND RECOMMENDATION

The Construction Excise Tax provides revenue to the district for capital construction projects. The purpose of the attached resolution is to clarify language in the current Board adopted Capital Asset Renewal (CAR) Policy No. 8.70.044.

This language is consistent with the intent of the original staff report and attachment that accompanied the CAR policy authorizing resolution to the Board, but was not clearly articulated in the adopted policy.

Staff recommends adopting this clarifying language as proposed in the attached resolution.

BACKGROUND

The Board of Education adopted the Capital Asset Renewal (CAR) Policy in January 2012. The CAR Policy directed the establishment of a Capital Asset Renewal Fund, directing the use of certain revenues for the funds, and directing the development of a Capital Asset Renewal Plan for the life-cycle renewal of major building components.

In an attachment to the Staff Report to the Board of Education, staff included a representative sample of the various revenue streams that could be used to fund the CAR Fund upon adoption of the CAR Policy. The Construction Excise Tax (CET) Fund 404 was identified as one of the revenue streams for the CAR Fund. The attachment identified beginning balances of each revenue stream and predicted yearly revenue over a twenty year period.

The portion of the beginning balance of the CET set aside for the CAR Fund was intentionally less than the total balance available in the CET Fund. The intent of not including the entire CET Fund balance into the CAR Fund was to provide the district with the ability and flexibility to meet other capital requirements that exist outside of those eligible under the CAR Policy.

Reviewed and Approved by Superintendent

Carole Smith

Staff developed a Capital Asset Renewal Plan that includes the 2012 voter approved capital bond and have begun submitting capital projects as part of the District's FY13-14 annual budget process for Board of Education approval.

As staff began to submit projects and identify funding sources for the FY 13-14 budget, it became evident that the language used in the CAR Policy can easily lead the reader to believe that all CET revenue must be used for projects exclusive to those identified in the CAR Plan, despite a current CET Fund balance in excess of what was identified to fund the CAR Plan in the previously referenced staff report and related attachment.

Staff presented proposed clarifying language to the Board of Education during the May, 6 2013 Board Work session and have updated the attached draft resolution to reflect Board comments received during that work session.

RELATED POLICIES / BOARD GOALS AND PRIORITIES

The proposed clarifying language to the CAR Policy is consistent with:

1. The intent of the original staff report and attachment that accompanied the CAR policy authorizing resolution to the Board.
2. The desire of the community to physically maintain our existing buildings.
3. Board Policy 8.70.042-P Dedicated Reserve for Income from Disposition of Surplus Real Properties. This Policy allows for the use of revenues from the sale or other disposition of surplus properties to be dedicated to a special reserve fund (or general fund) and used to support the district's capital improvement needs (among several other purposes).
4. Board Policy 8.80.010-P High Performance Facility Design. This Policy calls for the district to "plan for and seek additional sources of funds to support…preservation, high quality maintenance, renovation, or replacement of its capital stock."

PROCESS / COMMUNITY ENGAGEMENT

Staff sought input on the preliminary plan from outside financial experts including the Portland Business Alliance and the Building Owners and Managers Association. Because the current policy is a capital renewal planning proposal and an internal financial procedure with expenditures subject to the annual District budget process, no general community input was sought on the proposed policy clarifications.

ALIGNMENT WITH EQUITY POLICY IMPLEMENTATION PLAN

This policy enhances the district's ability to provide equitable student access to high quality, culturally relevant instruction & resources.

BUDGET / RESOURCE IMPLICATIONS

The acceptance of this proposed language clarification would not change the estimated revenue from the Construction Excise Tax identified as a funding source for the CAR Plan. In fact, it would give the district flexibility in addressing other capital needs in existing buildings not currently included in the CAR Plan.

NEXT STEPS / TIMELINE / COMMUNICATION PLAN

If the Board concurs with the Superintendent’s recommendation, a second reading of the resolution is planned for June 3, 2013.

ATTACHMENTS

A. Resolution

Portland Public School District 1st Reading

DATE: May 13, 2013

Notice of Proposed Policy and
Public Comment for
Amended Policy: Capital Asset Renewal Policy

The Portland Public School District is providing Notice of Proposed Amended Policy and Public Comment to offer interested parties reasonable opportunity to submit data or comments on the proposed policies noted below.

Public comment may be submitted in writing directly to the district or through the district Web site noted below. Written comments must be submitted by 5:00 p.m. on the Last Date for Comment listed below.

1st Reading by: Greg Belisle, Co-Chair, Portland Public School Board
Summary: Amended Policy: Capital Asset Renewal Policy

Draft Policy Web Site:
http://www.pps.k12.or.us/departments/board/872.htm
(click on draft policy link)

Recommended for 1st Reading by: Board of Education
Policy Contact: Kathryn Sofich
Last Date for Comment: June 3, 2013
Address: P.O. Box 3107, Portland, OR 97208-3107
Telephone: 503-916-3741
E-mail: ksofich@pps.net

Last Date for Comment: June 3, 2013

RESOLUTION No. XXXX

Amending the Board of Education Capital Asset Renewal Funds and Plans Policy

RECITALS

A. The Board identified a need for a sustainable funding strategy to fund the life cycle renewal of major building components the District invested in over the last several years including Rosa Parks and Forest Park as well as for any newly modernized or renovated buildings in the future. Major building components include, but are not limited to, items like roof replacements, athletic field replacements, boiler upgrades, and major mechanical, electrical and plumbing upgrades.

B. The goal of this strategy extends the useful life of District facilities, ensures public capital investments are properly preserved, and minimizes deferred maintenance costs.

C. The Board adopted Resolution No. 4539 establishing the Capital Asset Renewal Funds and Plans Policy on January 23, 2012.

D. The Capital Asset Renewal Funds and Plans Policy as adopted by the Board requires clarifying language around the use of Construction Excise Tax Fund.

E. The currently adopted Capital Asset Renewal Policy language restricts use of the Construction Excise Tax to projects that meet the criteria identified in recital A.

F. Staff's belief and intent, explicit in the original staff report and its attachments, was that any Construction Excise Tax balances in excess of those needed to fund the Capital Access Renewal Plan could be used to fund other District capital construction projects.

RESOLUTION

The Board of Education Policy on Capital Asset Renewal Funds and Plans is amended as follows (amendments in bold and redactions in strikethrough):

8.70.044 Capital Asset Renewal Funds and Plans

The Board of Education believes that all students deserve a quality learning environment. Consequently, the District should have a plan governing how all physical facilities that house and support the education programs of the District can be continuously maintained, regularly revitalized, and constructed using current best practices and methods that promote student learning. Such a plan should reflect actual funding capacity while supporting the goal of adequate funding to meet this policy goal.

The following policy provides the foundation for the implementation of a strategy designed to extend the useful life of District facilities, ensure public capital investments are properly preserved, and reduce deferred maintenance costs.

Therefore, it is Board Policy that:

1) The Superintendent shall develop a 20 year Capital Asset Renewal Plan (CAR Plan) for Board approval in FY 11-12, with **CAR Plan and funding** updates at subsequent five year intervals, to provide for life-cycle renewal of major building components the District has invested in over the last several years including Rosa Parks and Forest Park as well as for any newly modernized or renovated buildings in the future. Major building components include, but are not limited to, items like roof replacements, athletic field replacements, boiler upgrades, and major mechanical, electrical and plumbing upgrades.

2) The District shall establish funding for the Capital Asset Renewal (CAR) Plan that shall include, but not be limited to, the following components:

   a. Fund 404: Construction Excise Tax (CET) Revenues (net of approved expenses and charges). **For FY11-12 through FY15-16 Fund 404 shall maintain a minimum annual set aside of $1.5M for the CAR Plan. Fund 404 balances in excess of the minimum annual set aside for each respective year may be used to fund other district capital projects.**

   b. A new Capital Asset Renewal (CAR) Fund.

      i. Subsequent to debt retirement estimated to begin in FY 2021/22, redirection of the Recovery Zone Bond ~~utility savings~~ **debt service.**

      ii. Lease revenues and surplus property sales. At a minimum, lease revenue shall be base-lined at the FY 2011/12 present day value to hold the General Fund stable.

      iii. Revenue generated from renting/leasing District athletic fields. Revenue generated from renting/leasing athletic fields will be tracked through the Civic Use of Buildings office.

   c. Interest earned by funds in any of the above Funds.

3) Capital asset renewal projects identified in the CAR Plan and the use of funds from the CAR Fund and the CET Fund (Fund 404) will be proposed by the Superintendent in the District's annual budget process and are subject to annual Board of Education approval.

C. Sylvester / T. Magliano