

Date: September 23, 2020

To: Board of Directors

From: Doug Kelsey



Subject: RESOLUTION NO. 20-09-37 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING A REVISED INVESTMENT POLICY

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (Board) adopt a revised Investment Policy (Policy).

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other: Revised Investment Policy

3. Reason for Board Action

State law and TriMet's Investment Policy require the Board to review the Policy on an annual basis.

4. Type of Action

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

Investment of public funds is controlled by Oregon statutes, primarily ORS Chapter 294. The Oregon Short Term Fund (OSTF) Board, part of the Oregon State Treasurer's office, provides guidance and makes recommendations to Oregon public entities with respect to their investment policies, with a focus on compliance with Oregon statutes and "best practices" for investment of public funds.

As of June 30, 2020, TriMet's investment portfolio held over \$650 million in various investment instruments. Approximately 70% of TriMet's portfolio consists of restricted investments (bonds, grants). TriMet's Investment Policy establishes the rules and guidelines governing how TriMet's funds may be invested and provides a framework for accountability, oversight and reporting with respect to District investments.

An annual review of the Investment Policy is necessary because the Board has ultimate responsibility and authority for the investment of District funds. TriMet's Policy is ordinarily updated annually by Finance & Administrative Services, with review by the Board. When there are significant changes from one year to the next, TriMet submits the

Policy to the OSTF Board for review and approval. On July 7, 2020, TriMet's Policy was presented to the OSTF Board, and the OSTF Board made suggestions that have been incorporated into the updated Investment Policy.

This Resolution amends and replaces TriMet's existing Investment Policy, adopted in June 2017 by Resolution 17-06-54. The updated 2020 Policy is set forth in the attached Exhibit A – as a clean version and a red-lined version. The Policy revisions align with the OSTF Board's recommendations and best practices for investment policies for local governments.

Significant changes to the Investment Policy are summarized below:

- “Purpose” in Section 1.0 and “Scope” in Section 3.0 are further defined to exclude investments held by a trustee, such as TriMet's defined benefits plan trusts and other post-employment benefit trust fund. These trust funds are governed by separate rules and are outside the scope of the Policy.
- Section 4.0, “Liquidity,” now includes language to ensure that a portion of the portfolio is invested in readily available funds and that the weighted average maturity of the portfolio does not exceed 24 months.
- Section 7.0, “Authorized and Suitable Investments,” further defines specific investment instruments consistent with the OSTF Board's sample Investment Policy for Local Governments.
- Section 8.0, “Investment Parameters,” presents a diversification table that includes a maximum percentage allowed in the portfolio by investment type and per issuer of that investment type. The percentage allowed for commercial paper and corporate bonds was increased from 10% to 25%, with a maximum of 5% per issuer. The OSFT Board allows up to 35% of the portfolio to be invested in commercial paper and corporate bonds, with a maximum of 5% per issuer.
- Section 8.2, “Interest Rate Risk,” adds strategies to mitigate interest rate risk, and the glossary was updated to include a definition of Interest Rate Risk.
- Section 8.6, “Guideline Measurement & Adherence,” includes language providing that during times of excessive cash flows (e.g., high payroll tax revenues), an investment may temporarily exceed thresholds, which is consistent with investment policies of other public entities.
- Section 10.0, “Investment Policy Adoption,” includes exemption language providing that any investments held prior to the adoption of the Policy will be exempt from the new requirements, but at maturity, the funds shall be reinvested in compliance with the Policy.

6. Financial/Budget Impact

There will be no financial impact as a result of the adoption of TriMet's updated Investment Policy.

7. Impact if Not Approved

If the updates and revisions to TriMet's Investment Policy are not adopted, TriMet will not be in compliance with Oregon law and best practices with respect to the investment of public funds, as recommended by the OSTF Board.

RESOLUTION NO. 20-09-37

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TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING A
REVISED INVESTMENT POLICY**

WHEREAS, the TriMet Board of Directors (Board) originally adopted a Working Capital Investment Policy and Guidelines on May 25, 1988; and

WHEREAS, the Board adopted a revised Investment Policy on July 26, 1995, that was updated by the Board's Finance and Audit Committee in October of 2003; and

WHEREAS, the Investment Policy has subsequently been reviewed by the Board on an annual basis; and

WHEREAS, the Investment Policy is periodically revised and adopted as financial and statutory requirements change;

NOW, THEREFORE, BE IT RESOLVED:

That the TriMet Investment Policy is hereby revised and adopted as set forth in the attached Exhibit A.

Dated: September 23, 2020

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency

Gregory E. Skillman

Legal Department