RESOLUTION NO. 14 FOR 2026

A RESOLUTION ADOPTING THE 2026 CITY OF SWEET HOME INVESTMENT POLICY

WHEREAS, the City of Sweet Home desires to make prudent investments that provide financial benefit to the City; and

WHEREAS, ORS 294.135(a) requires the annual adoption of an investment policy; and

WHEREAS, the City has contracted with Government Portfolio Advisors (GPA) to manage its investment portfolio; and

WHEREAS, the City last adopted its investment policy in July 2025; and

WHEREAS, the Oregon State Treasury and Oregon Short Term Fund Board updated its recommended investment policy guidelines in November 2025 and GPA is recommending changes to the City's policy in alignment with these guidelines;

NOW, THEREFORE, THE CITY OF SWEET HOME DOES RESOLVE AS FOLLOWS:

The City of Sweet Home adopts its 2026 Investment Policy, so attached here as Exhibit A.

This Resolution shall be effective immediately upon its passage.

PASSED by the Council and approved by the Mayor, this 14th day of July, 2026.

____
Mayor

ATTEST:

____
City Manager - Ex Officio City Recorder

EXHIBIT A

City of Sweet Home

INVESTMENT POLICY

2026 Final

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1. Introduction

The City of Sweet Home is located in Linn County, between the Cascade Mountain Range and Willamette National forest. The City encompasses approximately 5.75 square miles and has approximately 10,000 residents. The City Manager's Office and Finance Department are responsible for the prudent investment of the City's funds in accordance with this investment policy.

2. Policy Statement

This Investment Policy defines the parameters within which funds are to be invested by the City of Sweet Home. This policy formalizes the framework, pursuant to ORS 294.135, for the City's investment activities to ensure effective and judicious management within the scope of this policy.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

3. Governing Authority

The investment program shall be operated in conformance with federal, state, and other legal requirements. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145 and 294.810. All funds within the scope of this policy are subject to laws established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

4. Scope

This policy applies to activities of the City with regard to investing the financial assets of all funds except for funds held in trust for the Pension Portfolio and deferred compensation funds for the employees of the City which have separate rules. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Oregon. Other than bond proceeds or other unusual situations, the total of all funds ranges from $5,000,000 to $25,000,000. This policy provides direction for the following fund types:

1. General Fund
2. Special Revenue Funds
3. Capital Projects Funds
4. Debt Service Funds
5. Enterprise Funds
6. Internal Service Funds
7. Trust and Agency Funds
8. Other Funds

5. Objectives

The City's principal investment objectives in order of priority are:

5.1 Safety

Investments shall be undertaken in a manner that seeks to ensure preservation of capital and protection of investment principal in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

5.2 Liquidity

Maintenance of sufficient liquidity to meet operating requirements that are reasonably anticipated. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Short Term Fund which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

5.3 Yield – Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio.

6. INVESTMENT PHILOSOPHY

6.1 Investment Strategy

The primary investment philosophy of City is to maintain sufficient liquidity to meet ongoing and anticipated cash flow needs. An understanding of the timing and purpose of cash flows is central to all investment decisions.

Funds that are not required for immediate or daily operating needs may be invested in a manner that preserves liquidity while seeking to enhance returns, consistent with the City's risk and return objectives. To clearly communicate the intended use, time horizon, and objectives of invested funds, such monies may be allocated among defined portfolio components, each reflecting the current purpose of those funds.

6.2 Selling of Securities

Securities shall generally be held until maturity, with the following exceptions:

- A security with declining credit below authorized ratings may be sold prior to maturity to minimize loss of principal.
- Liquidity needs of the portfolio require that a security be sold prior to maturity.
- The portfolio duration or maturity buckets should be adjusted to better reflect the structure of the underlying benchmark portfolio.
- A security rebalance or swap would improve the quality, yield, or target duration in the portfolio.

7. STANDARDS OF CARE

7.1 Delegation of Authority

- **Governing Body:** The ultimate responsibility and authority for the investment of City funds resides with the City Council.

- **Delegation of Authority:** Authority to manage investments within the scope of this policy and operate the investment program in accordance with written procedures and internal controls is granted to the City Manager, or designee (hereinafter referred to as Investment Officer), and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810.

  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 the activities of subordinate officials.

  All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

- **Investment Advisor:** Subject to required procurement procedures, the City may engage the support services of outside professionals in regard to its financial program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage or necessary financial protection of the City's resources. External investment advisors shall be subject to Oregon Revised Statutes and the provisions of this Investment Policy. The Advisor shall provide non-discretionary advisory services, which require prior approval from the Investment Officer on all transactions.

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 considerations.

7.2 Prudence:

The standard of prudence to be used, by the Investment Officer, in the context of managing the overall portfolio is the prudent person standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states:

> "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The City's Investment Officer and staff acting in accordance with this Investment Policy, written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes , provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

7.3 Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

8. TRANSACTION COUNTERPARTIES

8.1 Broker/Dealers:

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives. The following minimum criteria must be met prior to authorizing investment transactions. The Investment Officer may impose more stringent criteria.

- Broker/Dealer firms must meet the following minimum criteria:

  a. Be registered with the Securities and Exchange Commission (SEC);
  b. Be registered with the Financial Industry Regulatory Authority (FINRA).
  c. Provide most recent audited financials.
  d. Provide FINRA Focus Report filings.

- Approved broker/dealer employees who execute transactions with the City must meet the following minimum criteria:

  a. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
  b. Be licensed by the state of Oregon;
  c. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.

- Factors to consider during periodic review of all broker/dealers and their respective authorized registered representatives include:

  a. Pending investigations related to fraud of public funds by securities regulators
  b. Significant changes in net capital
  c. Pending customer arbitration cases (if available)
  d. Regulatory enforcement actions

Should the City utilize an investment advisor, the Investment Officer or designee may utilize the investment advisor’s approved broker/dealer list in lieu of the City’s own approved list. The advisor must submit the approved list to the City annually and provide updates throughout the year as they occur. The advisor must maintain documentation of appropriate licenses and professional credentials of all broker/dealers on the list. The annual advisor broker/dealer review procedures should be similar to the City's.

The advisor may be authorized through the contracted agreement to open accounts on behalf of the City with the broker/dealers on the approved list. The City will receive documentation directly from the brokers for account verification and regulatory requirements.

8.2 Depositories:

All financial banks that provide bank deposits, certificates of deposits or any other deposit of the bank to the City must either be fully covered by the FDIC or the bank must be a participant of the Public Funds Collateralization Program (PFCP) program. All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

8.3 Direct Issuers:

Obligations that are permitted for purchase by this policy may be purchased directly from the issuer without being listed as an approved broker/dealer.

8.4 Investment Advisors:

A list will be maintained of approved advisors selected by conducting a process of due diligence. The approved advisor must meet the following criteria:

- The investment advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon; (Note: Investment advisor firms with assets under management > $100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon);
- All investment advisor firm representatives conducting investment transactions on behalf of City must be registered representatives with FINRA;
- All investment advisor firm representatives conducting investment transactions on behalf of City must be licensed by the state of Oregon;
- Contract terms will include that the Investment advisor will comply with the City's Investment Policy.

A periodic review of all investment advisors under contract will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. The Investment Advisor must notify the City immediately if any of the following issues arise while serving under a City Contract:

- Pending customer arbitration cases
- Regulatory enforcement actions
- Significant decline in assets under management

8.4 Competitive Transactions:

The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

- In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.

- When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities as the same original issue price. However, the Investment Officer is encouraged to document quotations on comparable securities.

- If an investment provides investment management services, the advisor must retain documentation of competitive pricing execution on each transaction and provide upon request.

9. CUSTODY AND CONTROLS

9.1 Delivery vs. Payment

All trades of marketable securities will be executed on a delivery vs payment (DVP) basis to ensure that securities are deposited in the City of Sweet Home's safekeeping institution prior to the release of funds.

9.2 Third Party Safekeeping

Securities will be held by an independent third-party safekeeping institution selected by the City in the City' s segregated account. All securities will be evidenced by safekeeping receipts in the City's name. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16. The City will have online access through the safekeeping bank for verification of the account holdings and transactions. The City may hold bank deposits or certificates of deposits at banks qualified under ORS 295.

9.3 Internal Controls:

The Investment Officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of this Investment policy and, protected from loss, theft or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated periodically by the City of Sweet Home.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The Investment Officer shall maintain a system of written internal controls which shall address the following areas of concern:

- Compliance with investment policy constraints and requirements
- Clear delegation of authority
- Segregation of duties and separation of responsibilities for trade execution, accounting, and record keeping
- Written confirmation of transactions and funds transfers
- Timely reconcilement of custodial reports
- Appropriate security for online transactions and access to bank accounts and bank data
- Custodial safekeeping
- Control of collusion
- Review, maintenance and monitoring of security procedures both manual and automated
- Dual authorizations of wire and automated clearing house (ACH) transfers

9.4 External Audits

An external auditor shall provide an annual independent audit to assure compliance with Oregon state law and City of Sweet Home policies and procedures.

9.5 Accounting Method

The City 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 Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).

Pooling of Funds: Except for cash in certain restricted and special funds, the City will consolidate 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 generally accepted accounting principles.

10. Authorized and Suitable Investments

10.1 Authorized Investments

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for Investment Officer including not committing to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement), ORS 294.805 to 294.895 (Local Government Investment Pool). Minimum percentages and credit limits apply at the time of purchase (time of purchase language refers to settlement date for the purposes of this policy).

The following lists allowable investment types:

US Treasury Obligations: U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest [ORS Section 294.035(3)(a)].

US Agency Obligations: Federal agency and instrumentalities of the United States or enterprises sponsored by the United States Government (GSEs) whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government [ORS Section 294.035(3)(a)].

Municipal Debt: Lawfully issued debt obligations of the States of Oregon, California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by S&P or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization, or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization [ORS Section 294.035(3)(b) and (c)].

Corporate Indebtedness: Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)3 of the Securities Act of 1933, as amended. The corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution, including a holding company owning a majority interest in a qualified financial institution. Corporate indebtedness must be rated on the settlement date AA- or better by S&P or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization [ORS Section 294.035(3)(i)].

Commercial Paper: Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)3 of the Securities Act of 1933, as amended. The corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution, including a holding company owning a majority interest in a qualified financial institution. Commercial Paper must be rated A1 by Standard and Poor's or P1 by Moody's or equivalent rating by any nationally recognized statistical rating organization. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer [ORS Section 294.035(3)(i)].

Certificates of Deposit: Certificates of deposit in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

Bank Time Deposit/Savings Accounts: Time deposit open accounts or savings accounts in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

Bankers' Acceptance: Banker's acceptances, if the banker's acceptances are: (i) Guaranteed by, and carried on the books of, a qualified financial institution; (ii) Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category without any refinement or gradation by one or more nationally recognized statistical rating organizations. For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon [ORS Section 294.035(3)(h)].

Local Government Investment Pool: State Treasurer's local short-term investment fund up to the statutory limit per ORS Section 294.810.

10.2 Bank Collateralization

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS Chapter 295.. All depositories must be on the State of Oregon's qualified list.

10.3 Approval of Permitted Investments

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this policy has been amended and the amended version adopted by the City of Sweet Home City Council.

10.4 Prohibited Investments

- The City shall not invest in "144A" private placement securities, this includes commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933
- The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- The City shall not purchase mortgage backed securities.
- The City shall not purchase, per ORS 294.040, any bonds of issuers listed in ORS 294.035(3)(a) to (c) that have a prior default history.
- No commitment to buy or sell securities may be made more than 14 business days prior to the anticipated settlement date.

11. INVESTMENT PARAMETERS

11.1 Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

- Diversification: It is the policy of the City to diversify its investments. Where appropriate, exposures will be limited by security type; maturity; issuance, issuer, and security type, allowed security types and investment exposure limitations are detailed in the table below.

- Credit Ratings: Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations (NRSRO): Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

- The minimum weighted average credit rating of the portfolio's rated investments shall be AA-/Aa3/AA- by Standard & Poor's, Moody's Investors Service and Fitch Ratings Service respectively.

- Diversification and Credit Exposure Constraints: The following table limits exposures among investments permitted by this policy.

Diversification Constraints on Total Holdings

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's or Equivalent NRSRO	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.25 Years
US Agency Obligations	100%	35%	N/A	5.25 Years
Municipal Obligations (OR, CA, ID, WA only)	25%	5%	AA- / Aa3 Short Term*	5.25 Years
Corporate Notes	35%**	5%***	AA- / Aa3	5.25 Years
Commercial Paper			A1 / P1	270 Days
Bank Time Deposits/Savings Accounts	25%	15%	Oregon Public Depository	N/A
Certificates of Deposit	10%	5%	Oregon Public Depository	5.25 Years
Banker's Acceptance	25%	5%	A1 / P1	180 Days
State LGIP	Maximum allowed per ORS 294.810	None	N/A	N/A

*Short-Term Ratings: Moody's - P1/MIG1/VMIG1, S&P - A-1/SP-1, Fitch - F1

**35% maximum combined corporate and commercial paper per ORS.

***Issuer constraits apply to the combined issues in corporate and commercial paper holdings

11.2 Investment Maturity:

Liquidity risk is the risk that an investment may not be easily marketable or redeemable, as well as a shortfall of operating cash resulting in the need to sell securities and, thus, principal risk. The following strategies will be employed to mitigate liquidity risks:

- Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate risk.
- The City will not directly invest in securities with a stated maturity of more than five and a quarter (5.25) years from the date of purchase.

- The maximum weighted maturity of the total portfolio shall not exceed two and a half (2.5) years. This maximum is established to limit the portfolio to excessive price change exposure.
- Liquidity funds will be held in the State Pool or Bank Deposits . The liquidity portfolio shall, at a minimum, represent six month budgeted outflows.
- Core funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5.25 years and will be only invested in higher quality and liquid securities.

- Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 Days	10%
Under 1 Year	25%
Under 5.25 Years	100%
Maturity Constraints	**Maximum of Total Portfolio in Years**
Weighted Average Maturity	2.5 Years
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

12. Investment of Proceeds From Debt Issuance

Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. The investments will be made in a manner to match cash flow expectations based on managed disbursement schedules.

Liquidity for bond proceeds will be managed through the OSTF Pool or Bank deposit balances.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and maturities are intended to be matched with expected outflows.

Information will be maintained for arbitrage rebate calculations.

13. Investment of Reserve or Capital Improvements

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding 5.25 years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

14. Reporting, Compliance and Performance Standards

14.1 Reporting Requirements

The Investment Officer will retain and provide quarterly investment reports to the City Council in a similar manner as outlined in ORS 208.090. The reports also will be available upon request. Securities holdings and cash balances held in the investment portfolio will be provided on the reports.

The minimum quarterly reporting requirements for total portfolio are as follows:

- Earnings Yield
- Holdings Report (including mark to market)
- Transactions Report
- Weighted Average Maturity or Duration
- Compliance Report

14.2 Guideline Compliance

- Guideline Measurement:
  Guideline measurements will use market value of investments.

- Guideline Compliance:
  i. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

  ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Finance Committee.

  iii. Due to fluctuations in the aggregate surplus funds balance, maximum or minimum percentages for a particular issuer, investment type or minimum maturity constraint may be surpassed at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

14.3 Performance Measurement:

- The liquidity portfolio yields will be compared to the Oregon Short Term Pool rates.

- The Core investment portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a chosen minimum and maximum effective duration and will have the objective to achieve market rates of returns over long investment horizons. The purpose of the benchmark is to appropriately manage the risk in the portfolio given interest rate cycles. The core portfolio is expected to provide similar returns to the benchmark over interest rate cycles, but may underperform or out perform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be a 0-3 year or 0-5 year standard market index and comparisons will be calculated monthly and reported quarterly.

- When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

- The mark to market pricing will be calculated monthly and be provided in a monthly report.

15. POLICY MAINTENANCE AND CONSIDERATIONS

15.1 Review

The investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

15.2 Exemptions

Any investment held prior to the adoption of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested as provided by this policy.

15.3 Policy Adoption and Amendments

This Investment Policy and any modifications to this policy must be formally approved in writing by the City of Sweet Home's City Council. This policy shall be re-submitted not less than annually to the City Council for approval regardless of whether modifications are being made. This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if any material changes have been made since the last review by the OSTF Board.

GLOSSARY

Accrued Interest: The interest accumulated on a security since the issue date or since the last coupon payment. The buyer of the security pays the market price plus accrued interest.

Agency Securities: See "Federal Agency Securities."

Bankers' Acceptance (BA's): A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a month market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

Basis Point: A basis point is a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. In most cases, it refers to changes in interest rates and bond yields.

Benchmark: A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance and duration of the actual portfolio's investments.

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and it is usually secured by specific assets. Most bonds have a maturity of greater than one year and in general, pay interest semiannually.

Broker/Dealer: A person or firm transacting securities business with customers. A "broker" acts as an agent between buyers and sellers, and receives a commission for thee services. A "dealer" buys and sells financial assets from its own portfolio. A dealer takes risk by owning an inventory of securities, whereas a broker merely matches up buyers and sellers.

Call: An option to buy a specific asset at a certain price within a certain period of time.

Callable: A bond or preferred stock that may be redeemed by the issuer before maturity for a call price specified at the time of issuance.

Call Date: The date before maturity on which a bond may be redeemed at the option of the issuer.

Certificate of Deposit (CD): Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity).

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by a company or financial institution. Issued at a discount and matures at par or face value.

Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more NRSROs.

Core Fund: Core funds are defined as operating fund balance which exceeds the City's daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

Corporate Note: A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

Coupon Rate: The annual rate of interest that the issuer of a bond promises to pay to the holder of the bond.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

Current Yield: The coupon payments on a security as a percentage of the security's market price. In many instances the price should be gross of accrued interest, particularly on instruments where no coupon is left to be paid until maturity.

CUSIP: A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Delivery Versus Payment (DVP): Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

Depository Trust Company (DTC): A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs and BAs clear through DTC.

Discount Notes: Short term debt obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. Discount Notes typically have very large primary (new issue) and secondary markets.

Federal Agency Security: A debt instrument issued by one of the federal agencies. Federal agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

Federal Agency: Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets.

Federal Farm Credit Banks Funding Corporation (FFCB): A Government Sponsored Enterprise (GSE) system that is a network of cooperatively owned lending institutions that provide credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to is importance to the U.S. Financial system and agricultural industry. Also issues notes under it "designated note" program.

Federal Home Loan Bank System (FHLB). A Government Sponsored Enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also issues notes under its "global note" and "TAP" programs.

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its "reference note" program.

Federal National Mortgage Association (FNMA or "Fannie Mae"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its "benchmark note" program.

Federal Reserve Bank. One of the 12 distinct banks of the Federal Reserve System.

Federal Reserve System (the Fed). The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven member Board of Governors known as the "Federal Reserve Board" and headed by its Chairman.

General Obligation Bonds (GOs): Bonds secured by the pledge of the municipal issuer's full faith and credit, which usually includes unlimited taxing power.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury. Also known as "governments."

Government Sponsored Enterprise (GSE): Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries. Some consider GSEs to be stealth recipients of corporate welfare. Examples of GSEs include: FHLB, FHLMC, FNMA and FFCB.

Interest: Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

Interest Rate: The interest payable each year on borrowed funds, expressed as a percentage of the principal.

Interest Rate Risk: Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

Investment Advisor: A company that provides professional advice managing portfolios, investment recommendations and/or research in exchange for a management fee.

Investment Portfolio: A collection of securities held by a bank, individual, institution, or government agency for investment purposes.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio that is dedicated to providing liquidity needs for the City.

Mark to Market: Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price or some other valuation.

Municipals: Securities, usually bonds, issued by a state or its agencies. The interest on "munis" is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency's taxation powers.

NRSRO: A "Nationally Recognized Statistical Rating Organization." A designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating such as Moody's, S&P, and Fitch.

Par Value: The value of a security expressed as a specific dollar amount marked on the face of the security, or the amount of money due at maturity. Par value should not be confused with market value.

Prudent Person Standard: Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee will act with care, skill, prudence, and diligence under the circumstances the prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the entity.

Rate of Return: Amount of income received from an investment, expressed as a percentage of the amount invested.

State of Oregon Local Government Investment Pool (OSTF – Oregon Short Term Fund): The OSTF is organized pursuant to ORS 294.805 through 294.895. Participation in the Pool will not exceed the maximum limit annually set by ORS 294.810.

Total Return: Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/deprecation on investments held at period end.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

Yield: The annual rate of return on an investment, expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

Ratings Table – Long-Term

Tier	S&P	Moody's	Fitch	Definition

	AAA	Aaa	AAA	Highest credit quality
	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	Very high credit quality
	A+, A, A-	A1, A2, A3	A+, A, A-	High credit quality
	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	Good credit quality
	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-	Non-investment grade

Ratings Table – Short-Term

Highest Rating Category	**S&P**	**Moody's**	**Fitch**	**Definition**
	A1+, A1	P1+, P1	F1+, F1	Highest credit quality
	Municipal Commercial Paper			
	A-1, A-1+, SP-1+, SP-1	P1, MIG1, VMIG1	F1+, F1	Highest credit quality