



# REQUEST FOR COUNCIL ACTION

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**Title:** Annual Adoption of City Investment Policy

**Preferred Agenda:** February 08, 2022

**Submitted By:** Brandon Neish, Finance Director

**Reviewed By:** Blair Larsen, Community & Economic Development Director

**Type of Action:** Resolution \_\_\_\_\_ Motion  X  Roll Call \_\_\_\_\_ Other \_\_\_\_\_

**Relevant Code/Policy:** Sweet Home Investment Policy  
ORS 294.135(1)(a)

**Towards Council Goal:** Goal 2.5: Continue to implement financial “best” practices

**Attachments:** 2022 Memo for Policy Update (Government Portfolio Advisors)  
Sweet Home Investment Policy (red line changes)  
Sweet Home Investment Policy (Revised)

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**Purpose of this RCA:**

To review changes as proposed by Government Portfolio Advisors and adopt an updated Investment Policy.

**Background/Context:**

The City of Sweet Home adopted the City’s current investment policy in February 2019 after the City Council directed staff to research investment options outside of the Local Government Investment Pool (LGIP). In 2017, the earnings rate on cash in the pool was 1.15% and the Council believed that additional revenue could be earned on the City’s cash on-hand. The City worked with Government Portfolio Advisors (GPA) and the Oregon Short Term Fund Board (OSTFB) to develop its own investment policy which would allow the City to invest its cash in various equities and bonds. The City began purchasing bonds in August 2019 and now holds approximately \$2.3 million in investments.

As part of an annual review, GPA has recommended some changes to the City’s existing policy to better align the policy with state statutes and OSTFB sample policies for investments. Additionally, GPA has recommended lowering the commercial paper rating requirement from A1+/P1 to A1/P1, again in line with state statute. GPA has prepared a memo (included) that outlines the specific changes along with the reason for the change and potential implications.

**The Challenge/Problem:**

Does the Investment Policy meet the needs of the City and Council goals while appropriately leveraging the City’s financial resources?

**Stakeholders:**

- City of Sweet Home citizens – Citizens benefit from increased returns due to investment beyond the LGIP.
- City of Sweet Home staff – Staff will use provisions of the policy to continue investing city funds.
- City of Sweet Home City Council – Council reviews budget documents and financial reports and has a vested interest in ensuring the best returns to benefit the community.

**Issues and Financial Impacts:**

Investing City resources does not come without risk. Market changes can bring additional revenues but can also swing the other direction. Over the past 17 months, the City has seen smaller returns than originally anticipated due to a surging equities market and lackluster bond market (where a majority of the City’s investments sit). The result has been a relatively weak investment return when compared to LGIP returns, however, bond market conditions are improving with rate action from the Federal Reserve Board and current economic trends.

**Elements of a Stable Solution:**

The City needs to have the ability to diversify its cash into investments that could provide a higher return than the LGIP. An updated investment policy will ensure that the financial health of the City’s cash is considered and protected and will guide staff and advisors as cash is invested.

**Options:**

1. Do Nothing – Council could choose not to adopt the revised Investment Policy. The City would then be required to terminate its existing investments in accordance with ORS 294-135(1)(a)
2. Move to adopt the revised Sweet Home Investment Policy – Adoption of the revised policy would ensure continuance of the City’s investment portfolio.
3. Purpose revisions to the Sweet Home Investment Policy prior to re-adoption – Council could choose to request revisions to the policy provided prior to its adoption.

**Recommendation:**

Staff recommends option 2, move to adopt the revised Sweet Home Investment Policy. The proposed changes further align our policy with existing state statues and recommendations from the City’s contracted investment advisors.