



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Don Hudson, Assistant City Manager/Finance Director
DATE: November 9, 2020

SUBJECT:
Adoption of the City of Tualatin Investment Policy

RECOMMENDATION:
Staff Recommends that the City Council adopt the attached Investment Policy, with changes described below

EXECUTIVE SUMMARY:

Oregon Revised Statutes (ORS) 294.135(a) requires local governments investing in securities with maturities longer than 18 months to annually adopt their investment policies. The City Council adopted the current policy on October 12, 2020. The policy is being presented for re-adoption to the City Council increasing the percentage of the City's portfolio that can be invested in Municipal Bonds and extending the maximum issuer maturity. Due to changes that limit municipal tax exempt refundings, our investment advisors are seeing more value in the municipal taxable sector, which pays higher interest rates to compensate investors for the taxes they would pay on the investment income. Being a tax-exempt entity, we are able to benefit from the higher interest rate without having to pay taxes on the earnings. The extension is related to investments that are sold as 5 year issues, with the final maturity being 5 years and one month after the closing date, effectively making it an issue over 5 years. By purchasing this type of issue, we would technically violate our policy.

These changes are being recommended by Government Portfolio Advisors (GPA), the City's investment advisor. With the current investment environment, GPA has continued to look for investments that would help maximize our earnings. Since we updated our policy in early October, they have seen more attractive taxable municipal issues and feel it is best to make the suggested changes in our policy. We were presented with the choice to wait until next Fall, when we would do our annual Council policy approval, or bring it back to the City Council sooner. With the investment environment we are in, as well as the need to be in the market when property tax receipts start coming in later this month, we feel it is important to have this flexibility at that time to take advantage of more favorable investment options.

Attached is the page of the policy that is being changed, with changes highlighted in red. No other changes are being proposed.

OUTCOMES OF DECISION:
Adoption of the City's investment portfolio under State Statute.

ALTERNATIVES TO RECOMMENDATION:

Reject changes and re-adopt current investment policy language.

ATTACHMENTS:

- Resolution No. 5526-20
- Exhibit A, Investment Policy
- Proposed changes