

MEMO

To: Don Hudson and Matt Warner – City of Tualatin
From: Whitney Maher – Government Portfolio Advisors
Date: September 10, 2025
Re: Investment Policy Review/Update 2025

ORS 294.135(1)(a) requires local governments investing in securities with maturities longer than 18 months to annually adopt their investment policies. The City last reviewed and re-adopted the policy in October 2024. After reviewing the City's policy this year, it is being presented for re-adoption for 2025 to the City Council with the following recommended change(s):

1. **Section 9.1 Diversification** – update title for Diversification Table from “Diversification Constraints on Liquidity and Core funds” to “Diversification Constraints on Total Funds.” The City has issued bonds recently and may issue bonds in the future, therefore compliance to the policy is applicable to more than just Core and Liquidity.
2. **Section 9.2 Investment Maturity** – update language regarding liquidity funds to remove “money market instruments” as these are not allowable by statute.

9.2 Investment Maturity:

The City will not directly invest in securities with a stated maturity of more than 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 Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than six months to provide sufficient liquidity for expected disbursements.
- 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 based on the diversification parameters listed in 9.1 of this policy.

3. **Section 12.2 Performance Measurement** – update language to specify portfolios

12.2 Performance Measurement:

- a. The Liquidity Portfolio yields will be compared to the OST Pool rates.
- b. The Core 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 Core 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.