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**LANE TRANSIT DISTRICT
BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING**

**October 4, 2000
7:30 a.m.**

**LTD BOARD ROOM
3500 E. 17th Avenue, Eugene
(off Glenwood Blvd.)**

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
Hocken _____ Gaydos _____ Lauritsen _____
- III. BRT VEHICLE OPTIONS (INCLUDING FINANCING)
- IV. DISTRICT INVESTMENT POLICY
- V. OTHER BUSINESS
- VI. ADJOURN

Alternative formats of printed material (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, please call 682-6100 (voice) or 1-800-735-2900 (TTY, for persons with hearing impairments).

Appendix I.

Oregon Revised Statutes – Chapter 294

294.035 Investment of surplus funds of political subdivisions; approved investments. Subject to ORS 294.040 and 294.135 to 294.155, the custodial officer may, after having obtained a written order from the governing body of the county, municipality, political subdivision or school district, which order shall be spread upon the minutes or journal of the governing body, invest any sinking fund, bond fund or surplus funds in the custody of the custodial officer in the bank accounts, classes of securities at current market prices, insurance contracts and other investments listed in this section. However, the custodial officer of any county shall make no such investment of funds belonging to any municipality, political subdivision or school district, unless and until the custodial officer has received a written order from the governing body of the municipality, political subdivision or school district to which the funds belong, which order authorizes the custodial officer to invest the funds, and which order has been spread upon the minutes or journal of the governing body. This section, however, shall not limit the authority of the custodial officer to invest surplus funds in other investments when the investment is specifically authorized by another statute. Investments authorized by this section are:

- (1) Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States government.
- (2) Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.
- (3) Lawfully issued debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.
- (4) Time deposit open accounts, certificates of deposit and savings accounts in insured institutions as defined in ORS 706.008 that maintain a head office or a branch in this state.
- (5) Share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

(6) Fixed or variable life insurance or annuity contracts as defined by ORS 731.170 and guaranteed investment contracts issued by life insurance companies authorized to do business in this state.

(7) Trusts in which deferred compensation funds from other public employers are pooled, if:

(a) The purpose is to establish a deferred compensation plan;

(b) The trust is a public instrumentality of such public employers and described in section (2)(b) of the Investment Company Act of 1940, 15 U.S.C. 80a-2(b), as amended, in effect on September 20, 1985, or the trust is a common trust fund described in ORS 709.170;

(c) Under the terms of the plan the net income from or gain or loss due to fluctuation in value of the underlying assets of the trust, or other change in such assets, is reflected in an equal increase or decrease in the amount distributable to the employee or the beneficiary thereof and, therefore, does not ultimately result in a net increase or decrease in the worth of the public employer or the state; and

(d) The fidelity of the trustees and others with access to such assets, other than a trust company, as defined in ORS 706.008, is insured by a surety bond that is satisfactory to the public employer, issued by a company authorized to do a surety business in this state and in an amount that is not less than 10 percent of the value of such assets.

(8)(a) Banker's acceptances, if the banker's acceptances are:

(A) Guaranteed by, and carried on the books of, a qualified financial institution;

(B) Eligible for discount by the Federal Reserve System; and

(C) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

(b) For the purposes of this subsection, "qualified financial institution" means:

(A) A financial institution that is located and licensed to do banking business in the State of Oregon; or

(B) A financial institution that is wholly owned by a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon.

(c) A custodial officer shall not permit more than 25 percent of the moneys of a local government that are available for investment, as determined on the settlement date, to be invested in banker's acceptances of any qualified financial institution.

(9)(a) 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. Corporate indebtedness described in this subsection does not include banker's acceptances. 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.

(b) Corporate indebtedness must be rated on the settlement date P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization.

(c) Notwithstanding paragraph (b) of this subsection, the corporate indebtedness must be rated on the settlement date P-2 or A or better by Moody's Investors Service or A-2 or A or better by Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization when the corporate indebtedness is:

(A) Issued by a business enterprise that has its headquarters in Oregon, employs more than 50 percent of its permanent workforce in Oregon or has more than 50 percent of its tangible assets in Oregon; or

(B) Issued by a holding company owning not less than a majority interest in a qualified financial institution, as defined in subsection (8) of this section, located and licensed to do banking business in Oregon or by a holding company owning not less than a majority interest in a business enterprise described in subparagraph (A) of this paragraph.

(d) A custodial officer shall not permit more than 35 percent of the moneys of a local government that are available for investment, as determined on the settlement date, to be invested in corporate indebtedness, and shall not permit more than five percent of the moneys of a local government that are available for investment to be invested in corporate indebtedness of any single corporate entity and its affiliates or subsidiaries.

(10) Securities of any open-end or closed-end management investment company or investment trust, if the securities are of the types specified in subsections (1) to (3), (8) and (9) of this section and if the investment does not cause the county, municipality, political subdivision or school district to become a stockholder in a joint company, corporation or association. A trust company or trust department of a national bank while acting as indenture trustee may invest funds held by it as indenture trustee in any open-end or closed-end management investment company or investment trust for which the trust company or trust department of a national bank or an affiliate of the trust company or trust department of a national bank acts as investment adviser or custodian or

provides other services. However, the securities of the investment company or investment trust in which such funds are invested must be of the types specified in subsections (1) to (3), (8) and (9) of this section and the investment must not cause the county, municipality, political subdivision or school district whose funds are invested to become a stockholder in a joint company, corporation or association. For purposes of this subsection, companies are affiliated if they are members of the same affiliated group under section 1504 of the Internal Revenue Code of 1986 (26 U.S.C. 1504).

(11) Repurchase agreements whereby the custodial officer purchases securities from a financial institution or securities dealer subject to an agreement by the seller to repurchase the securities. The repurchase agreement must be in writing and executed in advance of the initial purchase of the securities that are the subject of the repurchase agreement. Only securities described in subsection (1) of this section shall be used in conjunction with a repurchase agreement and such securities shall have a maturity of not longer than three years. The price paid by the custodial officer for such securities may not exceed amounts or percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short Term Fund Board created by ORS 294.885. [Amended by 1957 c.53 s.1; 1957 c.689 s.1; 1965 c.404 s.1; 1973 c.157 s.1; 1973 c.288 s.1; 1974 c.36 s.9; 1975 c.359 s.3; 1977 c.300 s.1; 1981 c.804 s.84; 1981 c.880 s.13; 1983 c.456 s.2; 1985 c.256 s.2; 1985 c.440 s.1; 1985 c.690 s.2; 1987 c.493 s.1; 1991 c.459 s.379; 1993 c.59 s.1; 1993 c.452 s.1; 1993 c.721 s.1; 1995 c.79 s.102; 1995 c.245 s.2; 1997 c.249 s.91; 1997 c.631 s.446; 1999 c.601 s.1]

**LANE TRANSIT DISTRICT
INVESTMENT POLICY**
(Adopted 1/85, revised 3/95)

I. INVESTMENT OBJECTIVES

The Lane Transit District operates under the policy that all surplus funds for which it is practicable to do so will be invested. The investment of surplus funds shall be scheduled in a manner to allow sufficient cash for District expenditures. Maximization of earnings to the District shall be a secondary goal to safeguarding principal and providing adequate liquidity of funds. Investments shall be tied to actual or projected cash needs; speculative investment practices shall not be engaged in.

The Finance Manager [formerly called the Accountant and Finance Administrator] shall be the portfolio manager. The portfolio manager will be held harmless in the event of loss for responsible investment transactions undertaken in accordance with the investment policy.

II. DIVERSIFICATION OF INVESTMENTS

The portfolio manager shall obtain a minimum of two quotes prior to investing surplus funds. Portfolio structure is limited as follows:

U. S. TREASURY BILLS AND NOTES	90%
TIME CERTIFICATES OF DEPOSIT	90%
REPURCHASE AGREEMENTS	25%
LOCAL GOVERNMENT INVESTMENT POOL	100%

NO SINGLE INVESTMENT MAY BE GREATER THAN \$1,000,000 EXCEPT FOR THE LOCAL GOVERNMENT INVESTMENT POOL.

III. INVESTMENT MATURITY

Investments shall be scheduled to coincide with payroll and/or capital disbursement dates.

IV. CRITERIA FOR INVESTMENTS

U. S. TREASURY NOTES AND BILLS

These instruments are guaranteed by the full faith and credit of the U. S. Government and are considered to be the most secure investment instrument. No further restrictions are placed on their use.

TIME CERTIFICATES OF DEPOSIT

TCDs at any one financial institution will not exceed the amount covered by the Federal Deposit Insurance Corporation (FDIC) insurance limit, which is currently \$100,000.

REPURCHASE AGREEMENTS

Repurchase Agreements shall be limited to those fully collateralized by U. S. Treasury Bill and Notes.

V. REPORTING REQUIREMENTS

The portfolio manager will provide an investment summary to the Board of Directors on a regular basis.

Attachment 3.

INVESTMENT OF SURPLUS FUNDS OF POLITICAL SUBDIVISIONS:

APPROVED INVESTMENTS (PER ORS 294)

1. General obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the U. S. government.
2. Debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or better.
3. Debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA or better.
4. Time deposits, certificates of deposit (CD) and savings accounts in insured institutions that maintain a head office or branch in Oregon.
5. Share accounts and savings accounts in credit unions pursuant to a plan of deferred compensation.
6. Fixed or variable life insurance or annuity contracts (defined by statute) and guaranteed investment contracts issued by life insurance companies authorized to do business in Oregon.
7. Pooled, public employer deferred compensation trusts (for deferred compensation plan investments) if the trusts are covered by surety bond.
8. Banker's Acceptances (BAs), if the instruments meet State and Federal criteria.
9. Corporate indebtedness (subject to several restrictions) rated Aa or better by Moody's or A-1 or AA or better by Standard & Poor's Corporation.
10. Securities of any open-end or closed-end management investment company or investment trust (subject to restrictions) and so long as the investing agency does not become a stockholder in a joint company, corporation or association.
11. Repurchase agreements so long as they are in conjunction with United States securities (see item #1) and have a maturity of three years or less.
12. Local Government Investment Pool (LGIP) up to a current aggregate total of \$34,701,639.

Some of the authorized options have additional restrictions that limit the percentage of the total portfolio that can be allocated to the type of investment, and also limit the percentage that can be allocated to the securities of any one company or institution.

FINANCE COMMITTEE AGENDA ITEM SUMMARY

DATE OF MEETING: October 4, 2000

ITEM TITLE: LANE TRANSIT DISTRICT INVESTMENT POLICY

PREPARED BY: Diane Hellekson, Finance Manager

ACTION REQUESTED: Recommendation/Staff Direction.

BACKGROUND: ORS 294 provides for and regulates the investment of surplus funds by political subdivisions. A specific list of allowable investment instruments is defined by the statute. (The list is summarized as Attachment 3 in this packet.)

Lane Transit District's current investment policy was formally revised and adopted in 1985. It periodically has been reviewed and updated to reflect changes in the law, and changes in position titles, but the philosophy has remained unchanged. (The current policy is appended as Attachment 1.) The intent of the policy is to direct the District to invest in securities for which there is no risk of loss of principal. The full Board last considered and affirmed this policy in the spring of 1995.

Until the early to mid 1990s, the size of the District's portfolio was relatively modest. At that time, the Board made a commitment to the establishment of operating and capital reserves, and a deliberate plan to do so was implemented. At the present time, approximately \$20 million is invested on behalf of the District.

Because the Local Government Investment Pool (LGIP) offers a safe, liquid, legal and well-managed investment option, all of LTD's surplus funds currently are invested in a LGIP account. In the past, Certificates of Deposit have been purchased from local banks whenever LTD was in danger of approaching the limit that could be invested at any given time in the LGIP, but the limit allowed has since been regularly raised. The limit currently is over \$34 million, which is well above the amount that LTD has invested. For the past four years, LTD's portfolio has been invested entirely in the LGIP. Other allowable options regularly have been reviewed, but have not offered an attractive alternative to date, given existing investment policy.

Staff are proposing that the Board thoroughly review LTD's investment policy with the following objectives:

- Affirm or modify the fundamental policy to invest only in securities for which there is **no** risk of loss of principal.

- Over the next few months, determine the risk profile of the Board, which will influence the consideration of investment options and portfolio management. For example, LTD could contract for non LGIP investment management services if it might be shown that return on investment (net of fees) would be greater, and the Board were comfortable with the delegation of responsibilities while retaining all fiduciary responsibility. LTD also could consider a full or part-time dedicated position for internal portfolio management if a more aggressive investment strategy were recommended. Again, the net improvement on return on investment (ROI) would have to justify the additional expense.
- In the shorter term, consider a revised investment policy that would:
 - Modify the fundamental position of the policy to allow for investments that minimize the risk of loss of principal (as opposed to avoid it completely). This change will allow for expansion of investment opportunities for the purpose of increasing ROI.
 - Expand the list of allowable LTD investments to match what is authorized by ORS 294.
 - Direct that a minimum of \$1 million dollars be held in a secure, liquid instrument or instruments outside of the LGIP for the purpose of better risk management. While the LGIP has a superb track record for safety, it is not completely immune to threats. During the last legislative session, its existence briefly was threatened when it was used as a political hostage in a dispute between the Legislature and the State Treasurer. The closure of the fund might have temporarily prevented access to deposited funds, although it would not have jeopardized the principal. Also, during the 1996 flood, the LGIP briefly shut down. To assure on-going ability to cover payroll and vendor expenses, it is prudent to consider a diversification requirement.
 - Eliminate the portfolio allocation by percentages and replace the formulae with absolute limits.

The proposed revised investment policy (which has been drafted for discussion purposes only) appears as Attachment 2 in this packet. Additional information about investment alternatives, administrative risks and benefits, and liability will be discussed at the Committee meeting.

ATTACHMENTS:

1. Current LTD Investment Policy
2. Proposed LTD Investment Policy

3. Summary of Allowable Investment Options
4. September Local Government Investment Pool Newsletter

PROPOSED MOTION: None. Following Committee discussion, if there is consensus, staff will prepare either an information or action item for the October Board agenda. If additional information or work is required, it will be prepared for a future Finance Committee meeting and/or Board meeting.

Legal Notice



Lane Transit District

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Date: May 11, 2020

To: Debbie Buzalsky, Legal Publications
The Register-Guard; Fax: 683-7622

From: Susan Hekimoglu, Administrative Office Supervisor
Lane Transit District; Phone: 682-6108

RE: Notice of Board Meeting
LTD Purchase Order #7585

**Please publish the following legal publication on Monday,
October 2, 2000:**

NOTICE OF LTD BOARD COMMITTEE MEETING

A meeting of the Finance Committee of the Board of Directors of Lane Transit District will be held on Wednesday, October 4, 2000, at 7:30 a.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene (in Glenwood). Items for discussion include the BRT vehicle options and the District Investment Policy.

Alternative formats of printed materials (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, call 682-6100 (voice) or 1-800-735-2900 (TTY, through Oregon Relay, for persons with hearing impairments).

**LANE TRANSIT DISTRICT
PROPOSED INVESTMENT POLICY**

October 4, 2000

I. INVESTMENT OBJECTIVES

The Lane Transit District operates under the policy that all surplus funds for which it is practicable to do so will be invested. The investment of surplus funds shall be scheduled in a manner to allow sufficient cash for District expenditures. Maximization of earnings to the District shall be a secondary goal to safeguarding principal and providing adequate liquidity of funds. Investments shall be tied to actual or projected cash needs; speculative investment practices shall not be engaged in.

The Finance Manager shall be the portfolio manager. The portfolio manager will be held harmless in the event of loss for responsible investment transactions undertaken in accordance with the investment policy.

II. DIVERSIFICATION OF INVESTMENTS

The portfolio manager shall obtain a minimum of two quotes prior to investing surplus funds in any investment other than the Local Government Investment Pool. Portfolio structure is limited as follows:

- Investment options and portfolio structure limits by instrument are as specified by ORS 294. (See Appendix I.)
- A minimum of \$1,000,000 will be invested in one or more instruments authorized by ORS 294 other than the Local Government Investment Pool. These instruments will be selected by safety, liquidity, and net return (priority indicated by order).
- Checking account balances for LTD's main account will be interest bearing and will be maintained at appropriate levels to offset banking services fees and assure adequate immediate liquidity. Sufficient collateral will be required of the bank through which LTD transacts to more than cover the largest foreseeable single transaction, which LTD might initiate.

- No more than \$1,000,000 will be invested in repurchase agreements at any given time.

III. INVESTMENT MATURITY

Investments shall be scheduled to coincide with payroll, vendor, capital and/or other planned disbursement dates.

IV. CRITERIA FOR INVESTMENTS

Investment criteria are specified by ORS 294.035. In addition, the following restrictions apply:

REPURCHASE AGREEMENTS

Repurchase Agreements shall be limited to those fully collateralized by U. S. Treasury Bill and Notes.

ALL NON LGIP INVESTMENTS

The portfolio manager shall require all institutions desiring to transact with LTD for investment purposes to first meet criteria specified in a Request for Qualifications. Institutions shall, after initial screening and selection, be required to maintain the standards specified, and submit financial reports upon request. Audited annual financial reports are required. (The LGIP is required by state regulation to report to investing agencies monthly and in detail.)

V. REPORTING REQUIREMENTS

The portfolio manager will provide a written investment report to the Finance Committee of the Board of Directors on a quarterly basis. The report will be due on May 1st, August 1st, November 1st and February 1st for the calendar quarters previously ended. In addition, investments will be reviewed annually as part of the independent audit (as has always been required), and summarized in the Comprehensive Annual Financial Report.