

EXHIBIT A

CITY OF WOODBURN INVESTMENT POLICY

I. Purpose

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

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

II. Governing Authority

The City's investment program shall be operated in conformance with Oregon Revised Statutes and applicable federal law. Specifically, this investment policy is written in conformance with Chapter 294 of the Oregon Revised Statute ("ORS") and the Woodburn City Charter. Any revisions or extensions of applicable sections of the ORS 294 shall be assumed to be part of this Investment Policy immediately upon being enacted.

III. Scope

This policy applies to activities of the City with regard to investing the financial assets of operating funds, capital funds, bond proceeds, and bond reserve funds. Funds managed by the City that are governed by other investment policies are excluded from this policy; however, the management of all funds remain subject to Oregon Law.

Except where legally required to hold separate funds, the City will consolidate cash balances from all funds to maximize investment earnings. Net investment income will be allocated to the various funds based on generally accepted accounting principles.

IV. General Objectives

The City's investment objectives, in priority order are:

1. Safety & Preservation of Invested Capital

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio (i.e. the principal balance). The goal is to mitigate credit risk and interest rate risk. The City will also reduce custodial risk through the use of a third-party custodian who will hold securities in the City's name evidenced by contract and monthly statements.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

3. 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.

V. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be 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 Investment officer and staff acting in accordance with this Investment Policy, written procedures, and Oregon Revised Statutes 294.004 to 294.990, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes in accordance with ORS 294.047.

2. Ethics and Conflicts of Interest

In carrying out authorized activities under this Policy, 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. Additionally, Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. Delegation of Authority and Responsibilities

i. Governing Body

The City Council will retain ultimate fiduciary responsibility for invested funds. The governing body will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.

The City Council may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. Investment advisers may be hired on a non-discretionary basis. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer and compliant with this Investment Policy.

ii. Delegation of Authority

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is also granted to the City's Finance Director, hereinafter referred to as 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.

VI. Transaction Counterparties, Investment Advisers and Depositories

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.

The following minimum criteria must be met prior to authorizing investment transactions.

- i. 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
- ii. 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.
- iii. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:
 - A. Pending investigations by securities regulators
 - B. Significant changes in net capital
 - C. Pending customer arbitration cases
 - D. Regulatory enforcement actions

2. Direct Issuers

Obligations that are permitted for purchase by this policy may be purchased directly from the issuer.

3. Investment Advisers

Investment advisers engaged by the City must meet the following minimum criteria.

- i. The following items are required for all approved Investment Advisers:
 - A. The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon (*Note: Investment adviser firms with assets under management > \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon*).
 - B. All investment adviser firm representatives conducting investment transactions on behalf of the City must be registered representatives with FINRA.
 - C. All investment adviser firm representatives conducting investment transactions on behalf of the City must be licensed by the state of Oregon.
 - D. Certification, by all of the adviser representatives conducting investment transactions on behalf of this entity, of having read, understood and agreed to comply with this investment policy.

- ii. A periodic (at least annual) review of all investment advisers under contract will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. Factors to consider would be:
 - A. Pending investigations by securities regulators
 - B. Significant changes in net capital
 - C. Pending customer arbitration cases
 - D. Regulatory enforcement actions

4. Depositories

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

VII. Suitable and Authorized Investments

1. Permitted Investments

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810.

- *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.*
- *US Agency Obligations: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE).*
- *Oregon Short Term Fund*
- *Corporate Indebtedness*
 - 1. *Commercial Paper issued under the authority of section 3(a)2 or 3(a)3 of the Securities Act of 1933.*
 - 2. *Corporate Bonds*
- *Banker's Acceptances*
- *Qualified Institution Time Deposits/Savings Accounts/Certificates of Deposit*

2. 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.

3. Prohibited Investments

i. Private Placement or "144A" Securities

Private placement or "144A" securities are not allowed. For purposes of the policy, SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.

ii. US Agency Mortgage-backed Securities

US agency mortgage-backed securities such as those securities issued by FNMA and FHLMC are not allowed.

iii. Securities Lending

The City shall not lend securities nor directly participate in a securities lending program.

VIII. Investment Parameters

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:

i. Diversification

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

ii. Recognized 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. A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor’s, Moody’s Investor Services and Fitch Ratings respectively.

iii. Portfolio Average Credit Rating

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

iv. Exposure Constraints and Minimum Investment Credit Ratings

The following table limits exposures among investments permitted by this policy.

Issue Type	Maximum % Holdings	Minimum Ratings Moody’s / S&P / Fitch
US Treasury Obligations	100%	None
US Agency Securities	100%	-
Per Agency (Senior Obligations Only)	33%	-
Oregon Short Term Fund (Local Gov. Investment Pool "LGIP")	Maximum allowed per ORS 294.810	-
Bankers’ Acceptances	25%	A1+/P1/F1+
Time Deposits/Savings Accounts/Certificates of Deposit	50%	-
Per Institution	25%	
Corporate Debt (Total)	15%	-
Corporate Commercial Paper	15%	
Per Issuer	2.5%	A1/P1/F1
Corporate Bonds	10%	
Per Issuer	2.5%	Aa/AA/AA

v. Restriction on Issuers with Prior Default History

Per ORS 294.040, the bonds of issuers listed in ORS 294.035 (3)(a) to (c) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district, or city, for a period of five years next preceding the date of the investment.

2. Liquidity Risk

Liquidity risk is the risk that an investment may not be easily marketable or redeemable. The following strategies will be employed to mitigate liquidity risks:

- i. The value of at least six months of budgeted operating expenditures will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than 90 days to provide sufficient liquidity for expected disbursements.
- ii. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. Portfolio investment maturities will be limited as follows:

Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total Portfolio
Under 90 days	Six (6) Months Estimated Operating Expenditures
Under 1 year	50%
Under 3 years	100%

- iii. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

3. 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. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

- i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
- ii. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk.
- iii. No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.
- iv. The maximum percent of callable securities in the portfolio shall be 10%;
- v. The maximum stated final maturity of individual securities in the portfolio shall be three years, except as otherwise stated in this policy.

IX. 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. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.

X. Investment of Reserve or Capital Improvement Funds

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding three 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 City Council, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

XI. Guideline Measurement and Adherence

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. 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 City Council.

XII. Reporting and Disclosure

1. Compliance

The Investment Officer shall prepare a report at least monthly that allows the City Council to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will include, at a minimum, the following:

- i. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- ii. Distribution by type of investment
- iii. Transactions since last report
- iv. Distribution of transactions among financial counterparties such as broker/dealers
- v. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

2. Performance Standards/ Evaluation

At least annually, the Investment Officer shall report comparisons of investment returns to relevant alternative investments and comparative Bond Indexes. The performance of the portfolio should be compared to the performance of alternative investments such as available certificates of deposit; the Oregon Short Term Fund; US Treasury rates; or against one or more bond indices with a similar risk profile (e.g., Bond indexes comprised high grade investments and maximum maturities of three years).

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

3. Audits

Management shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

XIII. Policy Maintenance and Considerations

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.

2. Policy Adoption and Amendments

This investment policy and any modifications to this policy must be formally approved in writing by the City Council.

This policy will also be submitted to the Oregon Short Term Fund (OSTF) Board for review where the policy:

Allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the City Council, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)),

And either:

A. This policy has never been submitted to the OSTF Board for comment;

Or

B. Material changes have been made since the last review by the OSTF Board.