

OREGON STATE TREASURY

LOCAL GOVERNMENT INVESTMENT POOL

*An Investment Service
for Public Funds*

**Information Statement
Revised July 26, 2023**

Oregon Short Term Fund Board

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(Michael Kaplan, Deputy State Treasurer, Designee for Treasurer)

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Customer Service

Connect Access • Transactions • Reporting • Account/User Maintenance
Audit Confirmation Requests • Eligibility

Client Services

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General Program Inquiries

Investment Management • Statutory Requirements • Service Provider Issues

Finance Division

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Introduction

Established in 1973, the Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, which include—but are not limited to—any municipality, political subdivision, or public corporation of Oregon that by law is made the custodian of, or has control of, any public funds.

The pool is commingled with state funds in the Oregon Short Term Fund (OSTF).

Policy Statement

Safety of public funds is the primary responsibility of every public investment officer. Therefore, the policy of the pool is to provide a safe environment for the short-term investment of public funds. The pool enables participants to manage their funds in a manner that seeks to maximize the yield on their investments while meeting the safety and liquidity requirements for their funds. Treasury manages the pool in the same manner it oversees the management of state funds and in accordance with the prudent investor rule (ORS 293.726). The pool is commingled with state funds in the Oregon Short Term Fund (OSTF), which is *not* managed as a stable net asset value fund. Participants should be aware that preservation of principal is not assured by Treasury, the Oregon Investment Council, or the OSTF Board. Furthermore, pool account balances are not guaranteed or otherwise protected by Treasury, its agents, the FDIC, or any other government agency.

While the OSTF is not currently rated by an independent rating agency, the OSTF's holdings provide very strong protection against losses from credit defaults; however, the fund may be sensitive to changing market conditions.

Investment Objectives

The primary objectives, in priority order, of OSTF investment activities are the following:

1. **PRESERVATION OF PRINCIPAL.** Capital preservation is the OSTF's foremost objective, and all OSTF investments shall be made in a manner consistent therewith. Credit and interest rate risks will be carefully managed and mitigated.
2. **LIQUIDITY.** The OSTF shall remain sufficiently liquid to meet all state, agency and local government operating requirements as may be reasonably anticipated. The OSTF should consist largely of securities with active secondary or resale markets.

3. YIELD. The OSTF shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the aforementioned investment risk constraints and liquidity needs.

Investment Policies

ORS 293.726 requires that Treasury apply the prudent investor rule in the management of the pool. That standard “requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund’s investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.”

The Oregon Investment Council, with advice from Treasury and the OSTF Board, has adopted specific rules for investing the OSTF. The OSTF Portfolio Rules are available online at www.oregon.gov/lqip.

Advisory Board

In seeking to best serve participants, the legislature established the OSTF Board. The board advises the Oregon Investment Council and Treasury in the management and investments of the OSTF.

The board consists of seven members: The State Treasurer or the treasurer’s designee; three members who are qualified by training and experience in the field of investment or finance and who do not hold any other public office or employment (appointed by the State Treasurer); and three members who are treasurers, finance or fiscal officers or business managers of any county, city, or school district (appointed by the Governor).

Board members serve four-year terms and without compensation, except reimbursement of expenses to attend official meetings.

Administrator

PFM Asset Management LLC, One Keystone Plaza, Suite 300, North Front and Market Streets, Harrisburg, Pennsylvania, provides administrative and operational support for the pool.

Custodian

All investment assets and collateral are held in safekeeping by State Street Bank and Trust Company, 2495 Natomas Park Drive, Suite 400, Sacramento, California, or by an authorized state depository.

Legal Counsel

The Oregon Department of Justice, 1162 Court Street NE, Salem, Oregon, serves as legal counsel for the pool.

Auditor

The financial statements of the Oregon Short Term Fund are audited annually by the Office of the Secretary of State, Audits Division, 255 Capitol Street NE, Suite 500, Salem, Oregon.

Expenses and Fees

Treasury supports its operation and management of the OSTF, including the pool, primarily through the assessment of an administration fee. The fee is charged directly against investment earnings—not billed directly to participants. Treasury sets and pays participants an interest rate out of the earnings of the fund after the administration fee is accounted for and after any funds are set aside for the Allowance of Impaired Securities, which was established after the 2008 financial market turmoil. The administration fee is currently 0.435 basis points of the market value of assets under management.

Additionally, Treasury charges the following fees per transaction:

| | |
|--------------------------------|----------|
| ACH Purchase | \$ 0.05 |
| ACH Redemption | \$ 0.05 |
| Wire Transfer Redemption | \$ 10.00 |
| Received ACH | \$ 0.10 |
| Returned ACH..... | \$ 2.00 |
| ACH Reversal | \$ 20.00 |

Transaction fees are charged to pool accounts on the first business day of the month for transactions that occurred in the previous month. A participant may request that transaction fees for one or more of its pool accounts be charged to another of its pool accounts via the LGIP Account Opening form (available online at www.oregon.gov/lgip).

Dividends

Interest is accrued daily on each pool account based on an account’s closing balance and a variable interest rate set by Treasury. Interest for an entire calendar month is paid as dividends to pool accounts on the last business day of that month. A participant may request that dividends for one or more of its pool accounts be paid to another of its pool accounts via the LGIP Account Opening form (available online at www.oregon.gov/lgip).

Eligibility

Any county, municipality, school district, political subdivision, public corporation, or tribal government is eligible to participate in the pool. Special service districts, such as water and sewer districts, as well as other organizations formed for the purpose of intergovernmental cooperation under ORS 190.003 to 190.030, are also eligible.

A unit of an eligible entity is not eligible to establish a separate pool account. For example, a high school *that is part of a school district* cannot establish a separate pool account (note that a high school district established under ORS chapter 335 would be eligible). Additionally, ORS 294.125 prohibits a political subdivision from investing the funds of any other political subdivision.

Entities not easily categorized as any of the above are required to provide an opinion from the entity's legal counsel substantiating the entity's eligibility to participate. The opinion must be supported by an analysis of the documents and laws under which the entity was formed. An entity eligible to participate in the pool may have some or all of the following characteristics:

1. Participation in the Oregon Public Employees Retirement System (PERS).
2. Subject to audit laws under ORS chapter 297.
3. Subject to public meeting or records laws.
4. Subject to local budget laws under ORS chapter 294.
5. Officers and board members subject to government ethics laws under ORS chapter 244.

This list is not conclusive and should be used as an initial indicator of whether an entity wishes to proceed with obtaining an opinion from its legal counsel regarding its eligibility to participate.

Entities interested in participating are to complete and submit an LGIP Participant Application form (available online at www.oregon.gov/lgip). Treasury will review the application and determine the entity's eligibility, which may include consultation with the pool's legal counsel. The entity will be notified in writing of Treasury's determination. If the entity disagrees with the determination, the entity shall submit in writing the basis for the disagreement. Treasury will make every attempt to resolve the issue to the satisfaction of all parties involved.

Pool Accounts

Participants may open pool accounts by completing and submitting the LGIP Account Opening form. There is no limit on the number of pool accounts that a participant may open.

Participants may close pool accounts by completing and submitting the LGIP Account Closing form. It may take up to 24 hours to close an account.

All forms are available online at www.oregon.gov/lgip.

Contacts and Permissions

Any person needing access (by phone, in writing, and/or via the pool's online client portal) to pool accounts or pool statements must be registered as a Contact in the records of the pool. Contacts may include both staff within a participant's organization and people outside of a participant's organization (such as staff at other local governments who manage funds on behalf of the participant, debt service paying agents, or certain state agencies). Contacts must be registered using the LGIP Contact Registration form.

In addition to registration, a Contact must be granted permissions that specify the Contact's access and abilities to each pool account. Until permissions are granted, a Contact has *no* access or abilities. Permissions are managed by completing and submitting the LGIP Permissions form.

All forms are available online at www.oregon.gov/lgip.

Online Account Access (Connect)

Participants may view pool accounts and initiate transactions online via the client portal called Connect. Contacts request access to Connect via the LGIP Contact Registration form and must be granted appropriate permissions via the LGIP Permissions form. To access Connect, visit www.oregon.gov/lgip and click the Connect link.

Purchases

Purchases or deposits are all credits to a pool account, including those initiated by an account's owner and its authorized agents, those initiated by another participant and its agents, those initiated by approved third-party entities (*e.g.*, state agencies), and those initiated by Treasury and its agents (*e.g.*, dividends).

All purchases made from bank accounts outside of the pool are processed via ACH and may be initiated via the pool's online client portal, Connect, or by calling customer service.

In order to settle the next business day, ACH purchases must be initiated by 1:00 p.m. Pacific on any business day. ACH purchases initiated after 1:00 p.m. Pacific will settle the second business day following initiation unless future dated. ACH purchases may be entered in the pool's online client portal to settle up to approximately one year in the future.

With the exception of ACH purchases made from approved third-party entities, ACH purchases are to be made from bank accounts owned by the participant. Participants should ensure that ACH purchases will not be rejected by their bank due to ACH blocks or filters. If a participant employs an ACH filter at its bank, the participant should contact customer service for information that will need to be shared with the participant's bank.

Participants are asked to provide customer service with notification two days in advance of ACH purchases greater than \$25 million to assist with cash flow forecasting.

Redemptions

Redemptions or withdrawals are all debits from a pool account, including those initiated by an account's owner and its authorized agents, and those initiated by Treasury and its authorized agents (*e.g.*, fees).

Redemptions made to bank accounts outside of the pool can be processed via either wire transfer or ACH and may be initiated via the pool's online client portal, Connect, or by calling customer service.

In order to settle the same business day, wire redemptions must be initiated by 10:00 a.m. Pacific on any business day. Wire redemptions initiated after 10:00 a.m. Pacific will settle the next business day. *Please note that same day wire redemptions cannot exceed \$1.5 million.*

In order to settle the next day, ACH redemptions must be initiated by 1:00 p.m. Pacific on any business day. ACH redemptions initiated after 1:00 p.m. Pacific will settle the second business day following initiation unless future dated. Both wire and ACH redemptions may be entered in the pool's online client portal to settle up to approximately one year in the future.

With the exception of debt payments and state payments, wire and ACH redemptions are to be made to bank accounts owned by the participant. Participants should ensure that ACH redemptions will not be rejected by their bank due to ACH blocks or filters. If a participant employs an ACH filter at its bank, the participant should contact customer service for information that will need to be shared with the participant's bank.

Participants are asked to provide customer service with notification two days in advance of wire and ACH redemptions greater than \$25 million to assist with cash flow forecasting.

Transfers

Transfers between pool accounts owned by the same participant may be initiated via the pool's online client portal, Connect, or by calling customer service.

In order to settle the same business day, transfers must be initiated by 1:00 p.m. Pacific on any business day. Transfers initiated after 1:00 p.m. Pacific will settle the next business day unless future dated. Transfers may be entered in the pool's online client portal to settle up to approximately one year in the future.

Participant-to-Participant Transfers

Transfers between pool accounts owned by different participants may be initiated via the pool's online client portal, Connect, or by calling customer service.

In order to settle the same business day, participant-to-participant transfers must be initiated by 1:00 p.m. Pacific on any business day. Participant-to-participant transfers initiated after 1:00 p.m. Pacific will settle the next business day unless future dated. Participant-to-participant transfers may be entered in the pool's online client portal to settle up to approximately one year in the future.

Payment Instructions

ACH instructions must be set up by an authorized Contact before ACH purchases/redemptions can be processed and may take up to 24 hours to set up. ACH instructions are set up by completing and submitting the LGIP ACH Instructions form. Instructions for ACH redemptions to debt service paying agents are set up by completing and submitting the LGIP Debt Payment Instructions form. Instructions for ACH redemptions to state agencies are set up by completing and submitting the LGIP State Payment Instructions form.

Wire instructions must be set up by an authorized Contact before wire redemptions can be processed. Wire instructions are set up by completing and submitting the LGIP Wire Instructions form. Instructions for wire redemptions to debt service paying agents are set up by completing and submitting the LGIP Debt Payment Instructions form.

Participant-to-participant transfer instructions must be set up by an authorized Contact before such transfers can be processed. Participant-to-participant transfer instructions are set up by completing and submitting the LGIP Transfer Instructions form.

All forms are available online at www.oregon.gov/lgip.

Confirmations and Statements

Daily confirmations are provided to participants within the pool's online client portal, Connect, one business day after a transaction settles.

Monthly pool account statements are prepared regardless of transaction activity and are available by the third business day after month end. Participants can view statements within the pool's online client portal, Connect, or request them by mail.

Audit Confirmation Requests

Auditors needing confirmation of account balances must submit requests in writing to customer service. Requests must include or be accompanied by a release signed by a participant's authorized Contact (the Contact must be registered in the records of the pool and have permission to view/access pool account information). Requests/releases can be submitted through Connect, faxed to (888) 535-0120, or mailed to

Oregon LGIP
PO Box 11760
Harrisburg, PA 17108-1760

Limitation on Aggregate Pool Balances

ORS 294.810 places a limit on the aggregate funds that a participant may place in the pool. Treasury is responsible for adjusting the limitation annually and publishes a memorandum detailing the limitation online at www.oregon.gov/lgip.

The limitation is calculated by multiplying \$30 million by the percentage, if any, by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the current calendar year exceeds the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31, 1995.

There is an exception to the limitation when funds are placed in the pool on a pass-through basis. Most participants must remove pass-through funds that exceed the limitation within 10 business days. County government and tribal government participants must remove pass-through funds that exceed the limitation within 20 business days. For purposes of determining whether excess funds are removed within the appropriate timeframe, participants may consider that such funds pass through on a first-in, first-out basis. For example: A county collects property taxes on behalf of other taxing districts and places such funds in the pool, causing the county to exceed the limitation for more than 20 business days. However, the county turns over the collected tax payments on a weekly basis, ensuring that excess funds are removed within the prescribed timeframe on a first-in, first-out basis.

Pass-through funds include monies that are collected by one local government and then passed on to another governmental unit, including property tax payments, federal funds, and other revenue distributions. They also include monies that are placed in a participant's pool account by another governmental unit, including state agencies. Pass-through funds do not include proceeds

from the maturity of investments that will be reinvested or otherwise used for expenditure purposes nor excess funds that will be used for debt service or to liquidate other liabilities.

Public Funds Requirements

ORS chapter 295 outlines requirements surrounding the deposit and collateralization of public funds. Public funds are defined as funds that a public official has custody of or controls by virtue of exclusive legal right. Per ORS 295.002, an Oregon public official may deposit public funds up to the amount insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) in any insured financial institution with a head office or branch in Oregon. Public funds deposits that exceed these insurance limits must be held in a qualified depository, which is a bank or credit union that participates in the Oregon Public Funds Collateralization Program (PFCP).

Treasury is not responsible for determining whether participants' banks or credit unions meet the requirements in ORS chapter 295. A current list of qualified depositories is available online at www.oregon.gov/pfcp.

Financial Reports

The OSTF is an *external investment pool* as defined in Government Accounting Standards Board (GASB) Statement 31. In accordance with that statement, Treasury issues an annual financial statement that includes a statement of net position, a statement of changes in net position, notes or disclosures, and the auditor's report.

In preparing its own annual financial statements in accordance with generally accepted accounting principles, a participant may find it necessary to use certain information contained in the OSTF financial statement, or otherwise provided in the state's Annual Comprehensive Financial Report (ACFR).

OSTF annual financial statements are available online at www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx.

The state's ACFR is prepared and published by the Oregon Department of Administrative Services, Statewide Accounting and Reporting Services, and is available online at www.oregon.gov/das/Financial/Acctng/Pages/Pub.aspx#cafr.

Compliance with Tax Law and Debt Covenants

Treasury and its agents make no representations as to whether the pool complies with Section 148 of the Internal Revenue Code. Accordingly, the pool may not be appropriate for the

investment of bond proceeds. Bond covenants may also restrict the investment of bond proceeds and may preclude the pool as a permitted investment option. Participants should discuss arbitrage rebate, yield restriction, and other applicable bond provisions with their bond counsel prior to depositing bond proceeds in the pool.

Compliance with Contract Retainage Requirements

House Bill 2415 (2019) amended ORS 279C.570 related to public improvement contracts exceeding \$500,000. The amended statute requires that amounts deducted as retainage for such contracts be deposited in an interest-bearing escrow account in certain circumstances. Pool accounts are not escrow accounts and do not satisfy this requirement. Treasury is not responsible for determining whether funds placed in the pool by a participant are subject to the escrow account requirement in ORS 279C.570.

Local Government Mailing List and Newsletter

Treasury uses an electronic mailing list called Local-Gov-News to provide local government customers with information about Treasury-provided services and related financial news. Treasury also regularly distributes a newsletter titled *Inside the Vault*. To subscribe to the mailing list and review the current and past issues of the newsletter, visit <https://www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx#lgnr>.