

TOBIAS READ  
STATE TREASURER

NANCY BREWER  
CHAIR



**MUNICIPAL DEBT  
ADVISORY COMMISSION**  
350 WINTER STREET NE, SUITE 100  
SALEM, OREGON 97301-3896  
(503) 378-4930

**MUNICIPAL DEBT ADVISORY COMMISSION  
TELECONFERENCE MEETING NOTICE AND AGENDA**

**November 28, 2018  
11:00 – 11:30 am (approximate end time)**

Meeting Location:  
350 Winter Street NE, Rogue Conference Room  
Salem, OR 97301

or

Teleconference Dial-In:  
Dial-in Access 888-636-3807  
Participant Code 662435#

Presenter

- I. Call to Order
- II. March 13, 2018 Meeting Recording – Posted on OST MDAC Web Page  
<http://www.oregon.gov/treasury/Divisions/DebtManagement/LocalGov/Pages/MDAC.aspx#meetings>
- III. 2019 Regular Legislative Session
  - a. Discussion Regarding Legislative Counsel LC-683—  
Debt Limitation Calculation Laura Lockwood-McCall
  - b. Legislative Concept Approval Regarding ORS 294.035(3)  
Amendments To Clarify Municipal and Corporate  
Securities Minimum Ratings Doug Goe, Chair  
Oregon Short Term Fund
- IV. Other Business
- V. Adjourn

TAB III.a – Discussion Regarding Legislative Counsel LC-683

Debt Limitation Calculation

# D R A F T

## SUMMARY

Provides that, with respect to bonding power of governmental unit limited to millage or percentage of real market value of taxable property within unit, real market value shall be as set forth in annual Oregon property tax statistics report prepared by Department of Revenue.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to real market value for determining the bonding power of govern-  
3 mental units; creating new provisions; amending ORS 308.207; and pre-  
4 scribing an effective date.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 308.207 is amended to read:

7 308.207. (1) If the taxing or bonding power of any governmental unit is  
8 limited to a millage or percentage of the real market value of the taxable  
9 property within the unit, the real market value shall be:

10 **(a) With respect to the taxing power,** the real market value as re-  
11 flected in the last certified assessment roll.

12 **(b) With respect to the bonding power, the real market value set**  
13 **forth in the most recent annual Oregon property tax statistics report**  
14 **prepared by the Department of Revenue.**

15 (2) Changes in the boundary lines of a governmental unit shall be taken  
16 into account in computing its real market value for purposes of subsection  
17 (1) of this section even though such boundary changes may not be included  
18 on the latest assessment roll.

1 (3) As used in this section, “governmental unit” includes the state, coun-  
2 ties, cities, municipal corporations, and all special districts having the power  
3 to levy taxes or issue bonds.

4 **SECTION 2. The amendments to ORS 308.207 by section 1 of this**  
5 **2019 Act apply to bond issues approved on or after the effective date**  
6 **of this 2019 Act.**

7 **SECTION 3. This 2019 Act takes effect on the 91st day after the date**  
8 **on which the 2019 regular session of the Eightieth Legislative Assem-**  
9 **bly adjourns sine die.**

10

TAB III.b – Legislative Concept Approval Regarding ORS 294.035(3)  
Amendments to Clarify Municipal and Corporate  
Securities Minimum Ratings

# OREGON SHORT TERM FUND BOARD COMMENTS ON MUNICIPAL FINANCIAL ADMINISTRATION

## PROPOSED AMENDMENT TO ORS 294.035(3)

(3) Investments authorized by this section are:

(a) Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government and obligations whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government.

(b) 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<sub>-</sub> or an equivalent rating or better or are rated on the settlement date in the highest category without any refinement or gradation for short-term municipal debt by a nationally recognized statistical rating organization.

(c) 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<sub>-</sub> 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.

(h)(A) Banker's acceptances, if the banker's acceptances are:

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

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

(iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category without any refinement or gradation by one or more nationally recognized statistical rating organizations.

(i)(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 paragraph 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<sub>3</sub> or better by Moody's Investors Service or A-1 or AA<sub>-</sub> or better by S&P Global Ratings and Fitch Ratings Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization.

(C) Notwithstanding subparagraph (B) of this paragraph, the corporate indebtedness must be rated on the settlement date P-2 or A<sub>3</sub> or better by Moody's Investors Service or A-2 or A<sub>-</sub> or better by S&P Global Ratings and Fitch Ratings Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization when the corporate indebtedness is:

(i) 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

(ii) Issued by a holding company owning not less than a majority interest in a qualified financial institution, as defined in paragraph (h) of this subsection, 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 sub-subparagraph (i) of this subparagraph.



## Chapter 294 — County and Municipal Financial Administration

2017 EDITION

### **294.035 Investment of funds of political subdivisions; approved investments.**

(1) Subject to ORS 294.040 and 294.135 to 294.155, the custodial officer may 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, but only after obtaining from the governing body of the county, municipality, political subdivision or school district a written order that has been entered in the minutes or journal of the governing body.

(2) This section does not:

(a) Limit the authority of the custodial officer to invest surplus funds in other investments when the investment is specifically authorized by another statute.

(b) Apply to a sinking fund or a bond fund established in connection with conduit revenue bonds issued by a county, municipality, political subdivision or school district for private business entities or nonprofit corporations.

(3) Investments authorized by this section are:

(a) Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government and obligations whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government.

(b) 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.

(c) 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.

(d) Time deposit open accounts, certificates of deposit and savings accounts in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state.

(e) 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.

(f) 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.

(g) 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.

(h)(A) Banker's acceptances, if the banker's acceptances are:

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

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

(iii) 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 paragraph, "qualified financial institution" means:

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

(ii) A financial institution that is wholly owned by a financial holding company or 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.

(i)(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 paragraph 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 subparagraph (B) of this paragraph, 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:

(i) 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

(ii) Issued by a holding company owning not less than a majority interest in a qualified financial institution, as defined in paragraph (h) of this subsection, 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 sub-subparagraph (i) of this subparagraph.

(D) A custodial officer may 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 may 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.

(j) 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 paragraph (a) of this subsection may 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.

(k) Shares of stock of any company, association or corporation, including but not limited to shares of a mutual fund, but only if the moneys being invested are funds set aside pursuant to a local government deferred compensation plan and are held in trust for the exclusive benefit of participants and their beneficiaries.

(L) The investment pool as defined in ORS 294.805 and, with the approval of the State Treasurer, any other commingled investment pool that may be established in the discretion of the State Treasurer for investment of the funds of local governments. The State Treasurer may require the governing body of a local government to enter into an investment agreement with the State Treasurer as a condition of investing funds in a commingled investment pool under this paragraph. [Amended by 1957 c.53 §1; 1957 c.689 §1; 1965 c.404 §1; 1973 c.157 §1; 1973 c.288 §1; 1974 c.36 §9; 1975 c.359 §3; 1977 c.300 §1; 1981 c.804 §84; 1981 c.880 §13; 1983 c.456 §2; 1985 c.256 §2; 1985 c.440 §1; 1985 c.690 §2; 1987 c.493 §1; 1991 c.459 §379; 1993 c.59 §1; 1993 c.452 §1; 1993 c.721 §1; 1995 c.79 §102; 1995 c.245 §2; 1997 c.249 §91; 1997 c.631 §446; 1999 c.601 §1; 2001 c.377 §43; 2003 c.405 §1; 2005 c.443 §§13,13a; 2009 c.821 §25; 2013 c.192 §1; 2014 c.18 §1]