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State of Oregon

Office of the State Treasurer

16290 SW Upper Boones Ferry Road
Tigard, Oregon 97224

OREGON SHORT TERM FUND

JANUARY 10, 2019

Meeting Minutes

Members Present: Douglas Goe, Darren Bond, Laurie Steele and Sharon Wojda (via telephone)

Staff Present: Perrin Lim, Geoff Nolan, Garrett Cudahey, Angela Schaffers (via telephone), Aliese Jacobsen, Kristel Flores, David Randall, Karl Cheng and Jen Plett

Other Attendees Present: Mark Krawczyk (City of Hermiston); Joan Swanson (City of Philomath); Susan Dodd (Oregon City School District); Christina Weinard (Oregon City School District)

The January 10, 2019 OSTF meeting was called to order at 10:00 am by Douglas Goe, OSTF Chair.

I. Opening Remarks

Douglas Goe welcomed all to the Oregon Short Term Fund Board (the “Board”) meeting and roll was taken.

II. Review and Approval of Minutes

MOTION: Chair Goe asked for a motion to approve the October 11, 2018 OSTF meeting minutes. Darren Bond moved the motion which received a second from Member Steele. The Board approved the minutes unanimously.

III. LGP/OSTF Investment Policy Review

City of Hermiston

The City of Hermiston policy was submitted by Mark Krawczyk, the Director of Finance at City of Hermiston and introduced to the Board by Angela Schaffers. The Board last reviewed City of Hermiston investment policy in 2013 and they plan on managing between \$2 million and \$15 million under this policy. They are considering using an investment adviser and would like to expand their allowed investments to include corporate bonds which they do not have currently have in the policy.

Comments from the Board were:

- Page 8, Section VIII, 1c - The Board recommended that split ratings should be greater of, not lesser of so that if there is a split, they will look to the higher. Also, to include security rating language to provide



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clarity if a split rating should arise

- Page 8, Section VIII, 3c – The Board recommended that the City change the language to “Commercial Paper” instead of “Corporate Indebtedness”, so that will not limit or restrict the policy from purchasing commercial paper.
- Page 10, Section IX, 3d – a 75% maximum in callable securities represents a high reinvestment risk compared to the recommended 35%.
- Page 10, Section IX, 3f – The Board questioned if there was a typo under maximum portfolio average maturity; inside the parenthetical it should be “measured with stated final maturity”.

Mr. Goe thanked both Ms. Schaffers and Mr. Krawczyk for presenting the investment policy to the Board.

City of Philomath

The City of Philomath policy was submitted by Joan Swanson, the Finance Director at City of Philomath and introduced to the Board by Angela Schaffers. The City of Philomath investment policy was originally drafted in 1994, so they would like to mirror the short-term fund board sample policy and plan on managing \$7.5 to \$12 million under this policy. They are a small city looking into either keeping the money in the state pool or consider using an investment adviser to assist in potential future endeavors because of a positive turnaround with cash balances starting to increase.

Comments from the Board were:

- Page 4, Section D - Depositories does not apply under the investment adviser; review the convention of the numbered and lettered sections it should be Section 2.
- Page 4, Section E – Competitive transactions only applies to advisers. The section should be Section 3 under Transactions of Counter Parties. Please refer to the sample policy for appropriate language around competitive transactions. This section will allow the policy to hold your broker-dealers or advisers to account.
- Page 5, Section 1, D – The Board recommended that split ratings should be greater of, not lesser of so that if there is a split, they will look to the higher. That is the conservative approach.
- Page 7, Summary Table – Under the Oregon Local Government Intermediate Fund, the board recommended citing specific ORS statutes.
- Page 8, Section 2, E – The Board recommended removing Corporate Commercial paper since that is not an approved investment.
- The Board recommends incorporating the broker-dealer section into the policy to outline the parameters under which the policy can invest in. In addition, including an investment adviser into the policy will also authorize them to transact with a broker-dealer relationship on behalf of the city. This allows flexibility to do either.
- The Board suggested that the length of 5 years for corporate bonds to be purchased should be shortened as it represents a high risk not knowing what your risk tolerance is.



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Mr. Goe thanked both Ms. Schaffers and Ms. Swanson for presenting the investment policy to the Board.

Oregon City School District

The Oregon City School District investment policy was submitted by Chief Financial Officer Susan Dodd, Accounting Manager Christina Weinard and was introduced to the Board by Angela Schaffers. This policy was last reviewed in 2010. The school district passed a general obligation bond measure last November for \$158 million (funding received December 20, 2018) requiring the school district to review their investment policy. They have plans to construct a new middle school, make improvements on existing middle schools as well as significant safety upgrades for all schools.

Comments from the Board were:

- Page 1, Section 3.0 - The Board recommended for clarity to offer guidance and key elements in the policy. Also, this will provide protection of the public funds and indicate the potential size of the investment portfolio.
- Page 2, Section 3.3 - The Board suggested additional protection for the Chief Financial Officer to elaborate and have more controls and checks in place or dual approval.
- Page 6, Section 5.1 – The Board recommended stating specific sections in the policy rather than listing reference statutes is better practice as changes in statutes are minimal.
- The Board suggested referring to the sample policy as it provides the core elements and appropriate language, then modify as needed.

Mr. Goe thanked everyone for their work on this policy.

IV. OSTF Market Overview and Portfolio Update

Garrett Cudahey presented the OSTF Portfolio update. U.S. Government Rates and credit spreads were discussed and the current difficult investment environment was reviewed.

- U.S. Government Rates
- Barclays 1-3 Year Credit Spreads
- OSTF Portfolio Update

November 30, 2018	
Fund NAV	\$21,639,439,000
Fund NAV/OSTF Balances (as of 7/31/18)	\$0.9991
Weighted Average Credit Quality	AA-/Aa2/AA
Book Yield	2.61%
Weighted Average Maturity (Days)	194
Duration (Years)	0.53
Spread Duration (Years)	0.81
Rate Paid to Participants (effective 10/1/18)	2.50%

- OSTF Sector Breakdown
- OSTF Corporate Industry Breakdown
- OSTF ABS Breakdown
- OSTF Issuer Exposure Breakdown
- OSTF Country of Risk Breakdown



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- OSTF Credit Profile Breakdown
- OSTF Coupon Type Breakdown
- OSTF Rates Comparison
- OSTF Performance

V. Closing Remarks/Other Items of Business

Date of next Board meeting – Thursday, April 11, 2019 at the OST Tigard Office.

Mr. Goe adjourned the meeting at 11:25 am.

Respectfully submitted,

Kristel Flores
Executive Support Specialist