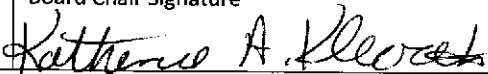


SUNSET EMPIRE TRANSPORTATION DISTRICT BOARD OF COMMISSIONERS INVESTMENT POLICY	Policy #	Date Approved
	B-812	12-11-14
Board Chair Signature		
		

PURPOSE

Sunset Empire Transportation District (District) is designated a special district of Clatsop County that manages county’s public transportation services and provides brokerage services for non-emergent medical transportation needs through its RideCare department.

As a special district it is incumbent upon the governing body and its employees to invest public funds in a manner which will provide a market rate of return, while preserving the principal to meet the daily cash flow needs of the District.

This document describes the policy governing the management of all District’s investments.

POLICY

This Investment Policy provides a safeguard that the District’s management and investment of funds will conform to Federal and Oregon State regulations and standards.

The priority of investment criteria for the District is legality first, followed by safety, then liquidity and lastly, return on investment.

The investment policy and practices must conform to all applicable Federal and Oregon State regulations, and other legal requirements, including bond covenants, and prudent money management philosophy. The overall program shall be designed and managed with a degree of professionalism that is worthy of public trust.

SCOPE

Both operating and surplus funds will be invested in compliance with the provisions of ORS Chapter 294, these investment policies, and written internal control procedures. Funds held and invested by trustees or fiscal agents are excluded from this policy; however, such funds are subject to regulations established by the State of Oregon. Any revisions or extensions of ORS Chapter 294 and ORS Chapter 295 shall be assumed to be part of this Investment Policy immediately upon being enacted.

GENERAL OBJECTIVES

The objectives of the District investment activities, in order of priority, are as follows:

1. Legality. The District investments shall be in accordance with all statutes governing the investment of public funds as well as applicable provisions of bond resolutions.

2. **Safety.** Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The District seeks protection afforded by the Federal Deposit Insurance Corporation (FDIC) and any depository institution must also be collateralized as required by ORS Chapter 295. The objective is to mitigate credit risk and interest rate risk to ensure overall portfolio safety.

- a) Credit Risk

The District will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the District will do business in accordance with “Authorized Financial Dealers and Institution” section of this policy.
- Managing the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

- b) Interest Rate Risk

The District will minimize the interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, such as not to directly invest in securities maturing in more than 18 months from the date of purchase.

3. **Liquidity.** The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements, which might be reasonably anticipated. Investment maturities shall be matched to anticipated cash flow requirements whenever possible.
4. **Return on Investment.** The District’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles that is consistent with the constraints imposed by its safety and legality obligations and cash flow considerations.

DELEGATION OF AUTHORITY

The Executive Director is responsible for carrying out the policies of the Sunset Empire Transportation District Board of Commissioners. (Board)

For the purposes of carrying out this Investment Policy, the Executive Director and one of the following individuals are hereby authorized to make investment decisions, in strict accordance with this investment policy on behalf of the District:

Finance Officer

All accounts established for the purpose of investing the District's funds shall require the written authorization of the Executive Director and Board Treasurer.

No single individual, acting alone, may initiate an investment activity.

The Executive Director with approval of the Board may delegate investment management and decisions authority, via written agreement, to one or more professional investment advisors/managers that are qualified and registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Agents engaged in this capacity shall make investment decisions and transactions in strict accordance with this policy and Oregon State laws and statutes.

The daily management responsibility for the investment program is assigned to the Finance Officer who monitors and reviews investments for consistency with this policy.

STANDARDS OF CARE

1. **Prudence.** Investments will be made under the prudent investor rule, which states:
"Investments will 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 probable safety of their capital as well as the probable income to be derived."

The Executive Director and designated employees, acting in accordance with written procedures and this policy, and exercising due diligence, will be relieved of personal responsibility for a specific security's credit risk, market price changes, or loss of principal if securities are liquidated prior to maturity provided that these deviations and losses are reported as soon as practical and action is taken to control adverse developments.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. The investment portfolio is subject to public scrutiny and evaluation. The investment program shall be designed and administered with a degree of professionalism

worthy of the public trust. Designated commissioners and employees shall refrain from knowingly entering into transactions which might impair public confidence in the District.

2. **Ethics and Conflict of Interest.** Commissioners and employees involved in the investment process shall comply with state law and statutes and refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial decisions. Also commissioners and employees shall disclose to the Board Chair, in writing, any material financial interest in financial institutions that conduct business within the District, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's portfolio, particularly with regard to the time of purchases and sales.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Executive Director and or Finance Officer will maintain a list of financial institutions authorized by the Board to provide investment services to the District. The list will include broker/dealers and investment advisors authorized to provide investment services in Oregon and to the District.

Employees of any firm or financial institution offering securities or investments to the District are expected to be trained in the precautions appropriate to the public sector, be knowledgeable of the permissible investments and other State of Oregon regulations, and be familiar with the District's investment objectives, policies, and constraints. Dealers and investment advisers providing investment services to the District are expected to make reasonable efforts to preclude imprudent transactions involving the District's funds.

All financial institutions, broker/dealers, and investment advisers who desire to become qualified for investment transactions must supply the following information, if applicable:

- Audited financial statements demonstrating compliance with Oregon State and Federal capital adequacy guidelines.
- Proof of state registration.
- Certification of having read, understood and agreement to comply with the District's Investment Policy.
- Evidence of adequate insurance coverage.
- Investment advisors must be registered under the Investment Advisers Act of 1940.
- Financial Institutions must be collateralized through the State Collateral Pool as required by ORS Chapter 295.

Financial institutions will be reviewed on an on-going basis to ensure they are on the "Qualified Depositories for Public Funds" list per ORS 295.002.

All reviews will be done by either the Executive Director, Treasurer or Finance Officer.

SAFEKEEPING, CUSTODY AND COLLATERALIZATION

1. Safekeeping. Securities will be held in third party safekeeping with a designated custodian. The trust department of a bank may be designated as custodian for safekeeping securities purchased from that bank. The custodian will issue a safekeeping receipt to the District listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, Committee on Uniform Securities Identification Procedures (CUSIP) number, purchase or sale price, transaction date, and other pertinent information.
2. Bank Deposits and Certificates of Deposits. The District may hold bank deposits or certificate of deposits at banks qualified under ORS Chapter 295.
3. Internal Controls. The Executive Director will maintain a system of written internal controls which will be reviewed by an independent auditor at least annually or upon extraordinary event, i.e., turnover of key personnel or the discovery of any inappropriate activity. The controls will be designed to prevent loss of public funds due to fraud, error, misrepresentation or imprudent action.
4. Accounting Method. The District will comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP).

SUITABLE AND AUTHORIZED INVESTMENTS

1. Authorized Investments. All investments of the District shall be made in accordance with ORS Chapter 294 statutes addressing investments rules and restrictions. Any revisions or extensions of relevant sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.
2. Competitive Selection of Bids or Offers. The Executive Director will obtain at least three offers or bids prior to the purchase of certificates of deposits, and selling securities prior to their maturity and will award the transaction to the most favorable offer or bid so long as the institution/broker/dealer and investment adviser meets the requirements of this policy for doing business with the District.

If the District hires an investment adviser to provide investment management services, the adviser must provide documentation of competitive pricing execution on each transaction. The investment adviser will retain documentation and provide upon request.

3. Monitoring and Adjusting the Portfolio. The Executive Director and Finance Officer will routinely monitor the contents of the investment portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

4. Performance Evaluation. The performance of any investment made by the District will be measured against the performance of the Local Government Investment Pool.
5. Quarterly Report. The Executive Director or Finance Officer will provide a quarterly District Investment Report to the Board.