EMERALD PEOPLE’S UTILITY DISTRICT
INVESTMENT POLICY

POLICY STATEMENT

It is the policy of Emerald People’s Utility District (the “District”) to invest public funds in a manner which will provide a market rate of return with the maximum security while meeting the daily cash flow demands of the District. The priority of investment criteria for the District is legality first, followed by safety, then liquidity and lastly, investment return.

I. GOVERNING AUTHORITY

The investment policies and practices of the District must conform to all applicable Federal, State of Oregon 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.

II. SCOPE

The District maintains the policy of investing 99 percent of surplus funds. This policy applies to the surplus funds held directly by the District. Funds will be invested in compliance with the provisions of ORS Chapter 294, these investment policies, and written administrative 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 shall be assumed to be part of this Investment Policy immediately upon being enacted. Investments of any tax-exempt borrowing proceeds and any related debt service funds will comply with the arbitrage restrictions in all applicable Internal Revenue Code sections.

III. GENERAL OBJECTIVES

The District’s investment objectives are to maintain sufficient liquidity to meet operating requirements, preserve and protect investment principal, attain an investment return appropriate for the portfolio, and conform to Federal and state statutes and this investment policy.

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

1. Legality. The District investments will 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 must also be collateralized through the State Collateral Pool as required by ORS Chapter 295. The objective will be 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:

      Limiting investments to the types of securities listed under “Portfolio Diversification” section of this policy.

      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.

      Diversify 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:

      Structure 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.

      Invest operating funds primarily in shorter-term securities, such as not directly investing in securities maturing in more than 18 months from the date of purchase, except for funds that require special handling in accordance with the “Investment Maturity” section of this policy.

3. **Liquidity.** The District’s 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, taking into account the District’s investment risk constraints and the cash flow characteristics of the portfolio.
IV. 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 Portfolio Manager and staff, 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. Investment officials shall refrain from knowingly entering into transactions which might impair public confidence in the District.

2. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager, in writing, any material financial interest in financial institutions that conduct business within the county, 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. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

3. Delegation of Authority

The Chief Financial Officer is the designated Portfolio Manager of the District and is responsible for investment decisions, under the review of the District’s Board of Directors. In the absence of the Portfolio Manager, the Accounting Supervisor will perform the duties. The Accounting Supervisor will manage the day-to-day administration of the cash management program.
V. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Portfolio Manager will maintain a list of financial institutions authorized to provide investment services to the District. The list will include broker/dealers and investment advisors authorized to provide investment services in the State of 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 state and Federal capital adequacy guidelines.
- Proof of registration with the Financial Industry Regulatory Authority (FINRA) (not applicable to Certificate of Deposit counterparties).
- Proof of state registration.
- Certification of having read and understood and agreeing 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.

An annual review of the financial condition and registration of all qualified broker/dealers and investment advisors will be done by the District.

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. This list will be on the Oregon State Treasury website.

All reviews will be done by either the Portfolio Manager or the Accounting Supervisor.

VI. SAFEKEEPING, CUSTODY AND COLLATERALIZATION

1. Delivery vs. Payment

The purchase and sale of securities will be executed on a delivery versus payment basis to ensure that securities are deposited in an eligible financial institution prior to release of funds.
Purchased investment securities will be delivered by either Fed book entry; Depository Transfer Check (DTC); or physical delivery.

Delivery versus payment will also be required for all repurchase transactions and with the collateral priced and limited in maturity in compliance with ORS.294.035 (11). Demand and time deposits will be collateralized through the State Collateral Pool as required by statute for any excess over the amount insured by an agency of the United States government.

2. 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.

3. Internal Controls

The Portfolio Manager will maintain a system of written internal controls which will be reviewed by an independent auditor at least annually. The controls will be designed to prevent loss of public funds due to fraud, error, misrepresentation or imprudent action.

The internal controls structure shall address the following points:

- Control of Collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Written wire transfer agreement with the lead bank and third-party custodian

4. Accounting Method

The District will comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).
VII. SUITABLE AND AUTHORIZED INVESTMENTS

1. Investment Maturity

To the extent possible, the District will attempt to match its investments to coincide with purchased power, bond payment, payroll disbursements dates, and other cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing in more than 18 months from the date of purchase. Except for funds requiring special handling (bond proceeds subject to arbitrage, etc.), investments beyond 18 months will require the express approval of the Board as well as the Oregon Short Term Fund Board. Cash for daily disbursements will be held in an interest-earning account. The maturity schedule for surplus funds will remain within the following guidelines:

10% minimum to mature under thirty days.

25% minimum to mature under ninety days.

90% minimum to mature less than one year.

100% minimum to mature under eighteen months.

2. Portfolio Diversification, Permitted and Prohibited Investments

The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in a readily available fund such as Local Government Investment Pools (LGIP’s) or overnight sweep accounts to ensure liquidity to maintain ongoing obligations of the District.

The District’s “Total Portfolio” means investing up to 99 percent of surplus funds. This policy applies to the surplus funds held directly by the District.

Funds held and invested by trustees or fiscal agents are excluded from this policy. Investments of any tax-exempt borrowing proceeds and any related debt service funds will comply with the arbitrage restrictions in all applicable Internal Revenue Code sections.
The following guidelines relating to diversification will be adhered to:

### Permitted Investments

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Maximum Percent Of Total Portfolio</th>
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</thead>
<tbody>
<tr>
<td>U.S. Treasury Bills, Notes, Bonds</td>
<td>75%</td>
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<tr>
<td>(and obligations secured by the U.S. Treasury that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest.)</td>
<td></td>
</tr>
<tr>
<td>U.S. Government Agencies/instrumentalities</td>
<td>75%</td>
</tr>
<tr>
<td>(limit up to 30% per issuer and investments must be senior debenture obligations)</td>
<td></td>
</tr>
<tr>
<td>Legally issued general obligations of the State of Oregon</td>
<td>25%</td>
</tr>
<tr>
<td>Local Government Investment Pool (ORS 294.035 statutory limit)</td>
<td>75%</td>
</tr>
<tr>
<td>Certificates of Deposit from qualified commercial banks</td>
<td>100%</td>
</tr>
<tr>
<td>Certificates of Deposit from qualified savings &amp; loans</td>
<td>25%</td>
</tr>
</tbody>
</table>

The above investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810. (Note: Permitted investments may be more restrictive than ORS 294.035 and 294.810.)

### 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 District.

### Prohibited Investments

1. **Private Placement or “144A” Securities**  
   (Private placement or “144A” securities are not allowed. “144A” securities include commercial paper issued under section 4(2)144A (also known as “4(2)A) of the Securities Act of 1933.)

2. **US Agency Mortgage-Backed Securities**  
   (US agency mortgage-backed securities such as those securities by FNMA and FHLMC are not allowed.)

3. **Securities Lending**  
   (The District shall not lend securities nor directly participate in a securities lending.)

### Diversification by Institution

The combination of Certificates of Deposits and savings accounts may not exceed 33% with any one financial institution.
Certificates of Deposit. Qualified bank depositories with total deposits of less than $2,000,000 will be allowed a maximum of the current amount of the FDIC insurance in Time Certificate of Deposit (TCD’s).

Qualified bank depositories with total deposits of $2,000,000 or more will be allowed a maximum of five percent (5%) of deposits in TCD’s (based on the most recent Director of Consumer and Business Services Bank Abstract or the bank’s Consolidated Statement of Condition) as submitted to the Director of Consumer and Business Services, whichever is more current.

A maximum set-rate order for large institutions is $15,000,000 per month per maturity. The Portfolio Manager is responsible for depositing funds in a qualified public depository as established by ORS Chapter 295 through the State Collateral Pool and to notify the Oregon State Treasurer of the financial institution that the District will be using as a depository.

3. Competitive Selection of Bids or Offers

The Portfolio Manager 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.

4. Monitoring and Adjusting the Portfolio

The Portfolio Manager will routinely monitor the contents of the 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.

5. Performance Evaluation

The performance of the District's portfolio will be measured against the performance of the Local Government Investment Pool.

VIII. REPORTING REQUIREMENTS

The Portfolio Manager will generate monthly reports for management purposes. In addition, the Portfolio Manager will provide to the District's Board a register of outstanding investments on a quarterly basis:

- Each investment will be listed by: Financial institution
- Issue date
- Principle invested
- Rate of interest
• Maturity date

In addition, the Portfolio Manager will make any reports available to the Board as the Board may require.

IX. INVESTMENT POLICY ADOPTION

This policy will be referred to the Oregon Short Term Fund Board for review and comment only if there are significant changes or if the District plans to invest over 18 months. The policy will be readopted annually by the District’s Board. This investment policy will also be reviewed annually by the Portfolio Manager for appropriate modification.

Original 6-19-84
Revised 1-31-85
Revised 1-09-89
Revised 3-12-91
Revised 11-10-98
Revised 6-14-11
Revised 10-9-12
Revised 6-11-13