

W. H. A.

AGENDA COVER MEMO

AGENDA DATE: July 14, 2004

TO: LANE COUNTY BOARD OF COMMISSIONERS

DEPARTMENT: LANE COUNTY MANAGEMENT SERVICES

PRESENTED BY: Mike Barnhart, Supervising Senior Accountant
David Suchart, Management Services Director

AGENDA ITEM TITLE: IN THE MATTER OF AMENDING CHAPTER 4 OF
THE LANE MANUAL TO UPDATE INVESTMENT
POLICIES (LM 4.015 THROUGH 4.020)

I. MOTION

MOVE APPROVAL OF ORDER 04-07-14-XX IN THE MATTER OF AMENDING INVESTMENT POLICIES LOCATED IN CHAPTER 4 OF THE LANE MANUAL (LM 4.015 THROUGH 4.020)

II. ISSUE OR PROBLEM

Lane Manual Section 4.020(2) currently limits the maturity of investments to three years. However, because investment returns are typically greater over longer maturities, staff recommends the Board allow for certain investment maturities in excess of three years if such investments can be scheduled to adequately meet specific cash flow requirements and the investment strategy for such funds is pre-approved by the Board.

Furthermore, sections of Lane County's investment policy are outdated and should be amended to include updated language reflecting the County's current organizational structure.

III. DISCUSSION

A. Background

Lane Manual 4.020(2) current states that the maturity of Lane County investments may not exceed three years. However, ORS 294.135 provides that, upon approval of the governing body, when funds are being accumulated for a longer-term anticipated use, the term of maturity for the investment of those funds may be extended to better match the actual anticipated use of the funds.

On June 22, 2004, a discussion of the proposed investment policy amendments went to the Finance and Audit Committee. At that meeting, the Committee voted unanimously to bring this motion forward for Board discussion and adoption.

B. Analysis

Applicability to Short Mountain Landfill Reserves

Lane County, as required by state and federal law, has a financial commitment to fund the closure and postclosure care costs of the Short Mountain Landfill. Although these expenditures are not required to be pre-funded, Lane County is accumulating resources currently to pay for these future costs. The landfill is expected to be capped in 2044, and the ultimate costs to fund Lane County's closure and post-closure care responsibilities are estimated to be in excess of \$51 million. As of June 30, 2003, the landfill was at 14.93% capacity, and Lane County established a closure and postclosure care liability of nearly \$9 million for incremental capacity utilized. Currently, the funds held to meet this obligation are part of the County's cash and investment pool for which the average maturity is approximately two years. Since such funds are not anticipated to be used until 2044, Lane County would likely be able to improve earnings on these funds by investing in longer-term maturities.

Other Reserves

Lane County may also be interested in exploring longer-term investment strategies for specific purpose funds, such as Road Fund Reserves, for which a significant portion of the monies may not be used within three years. For example, if the anticipated expenditure of such funds can be tied to specific projects that will not be undertaken for some time, Lane County can better maximize earnings potential by purchasing longer-term investments matched to the anticipated use of such funds.

Board Authorization

As required by the amended policy, the Commissioners must approve investment strategies for specific accumulated funds where the proposed maturity terms are in excess of three years. Administrative procedures for investing County funds are provided in Chapter 2, Section 20 of the Lane County APM, and are being updated with input from County managers and staff.

C. Alternatives/Options

- Move approval of the order amending the investment policies in the Lane Manual as recommended by staff.
- Move to modify the proposed Lane Manual language with regard to investment policies.
- Move to not approve the order recommended by staff.

D. Recommendations

Staff recommends adoption of the Order as presented.

IV. ATTACHMENTS

Attachment A – Board Order 04-07-14-XX

Attachment B – Proposed Amendments to Lane Manual Sections 4.015 through 4.020

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.

IN THE MATTER OF AMENDING CHAPTER 4 OF
THE LANE MANUAL TO UPDATE INVESTMENT
POLICIES (LM 4.015 through 4.020)

The Board of County Commissioners of Lane County orders as follows:

Lane Manual Chapter 4 is hereby amended by removing, substituting and adding the following sections:

REMOVE THESE SECTIONS

4.015 through 4.020
as located on pages 4-2 through 4-3
(a total of 2 pages)

INSERT THESE SECTIONS

4.015 through 4.020
as located on pages 4-2 through 4-3
(a total of 2 pages)


Said sections are attached hereto and incorporated herein by reference. The purpose of these substitutions and additions is to update investment policies (LM 4.015 through 4.020).

Adopted this _____ day of _____ 2004.

Chair, Lane County Board of Commissioners

APPROVED AS TO FORM

Date 6/24/04 Lane County



OFFICE OF LEGAL COUNSEL

(14) Lane County will endeavor to prepare and publish a comprehensive disclosure of its financial affairs in a format intelligible to the interested public with the goal of obtaining the Certificate of Conformance of the Governmental Finance Officers Association, the highest form of recognition in the field of governmental financial reporting.

(15) Lane County will manage its separate funds to insure that one fund does not improperly subsidize another fund.

(16) Lane County will increase efforts to review programs effectiveness to insure maximum return from extremely limited resources. One major effort will be an expanded performance audit capability.

(17) Intergovernmental services agreements shall be encouraged wherever services used by several departments can be more effectively provided on a collective basis. Service billings to user agencies will be sufficient to fully recover costs of operation, including depreciation of equipment used to provide the services.

(18) Lane County will strive to maintain a minimum of a 5% Prudent Person Reserve in all funds.

(19) Department expenditures shall not exceed appropriation, and they may not expend more discretionary General Fund dollars than they have in their approved budgets, except upon written board authorization.

(20) Lane County will charge the allowable indirect to all departments and funds in the most equitable manner possible and will recover the allowable indirect from all grants, contracts and intergovernmental agreements, except upon written board authorization. The Board may grant exceptions by category or on a case-by-case basis.

(21) It is County policy to fully expend all grant, contract, and other program generated revenues (e.g. fees, reimbursements) prior to expending county funds unless otherwise directed by specific grant or contract requirements.

(22) Any services or programs that are largely or wholly supported by time-limited grant or contract funds will be considered to automatically sunset at the expiration of the grantor contract. Exceptions will only be made on the basis of departments finding alternative funding or doing service shifting within their budgets. *(Revised by Order No. 02-1-30-1; Effective 1.30.02)*

INVESTMENT POLICIES

4.015 Purpose.

The purpose of these policies is to provide direction to the Director of Management Services in the investment of surplus cash in all funds, including moneys held in a fiduciary capacity. *(Revised by Order No. 94-6-28-7, Effective 6.28.94)*

4.020 Policies.

The following are the policies to be used by the Director of Management Services in administering the investment program.

(1) Investment practices shall be in accord with all applicable state and federal statutes and regulations. Investments shall be made in accordance with such statutes and regulations, including but not limited to, ORS chapters 294 and 295 as applicable.

(2) Maturity of such investments will be made to coincide as nearly as practical with the expected use of the funds and may not exceed three (3) years or statutory requirements, unless matched to a specific cash flow and approved by the Board of Commissioners.

(3) Investment of County funds shall be made only upon the authorization of the Director of Management Services or designee.

(4) Other Lane County officials receiving money in their official capacity must deposit such funds with the Director of Management Services, or at the discretion of the Director, in checking/negotiable order of withdrawal accounts.

(5) All investments shall be placed to ensure a competitive rate of return and be consistent with considerations of safety, liquidity and yield.

(6) The County Administrator is delegated the authority and responsibility to develop and maintain Administrative Procedures to implement these policies.

(7) LM 4.020 shall be adopted not less than annually by the Board of Commissioners. *(Revised by Order No. 94-6-28-7, Effective 6.28.94; 02-5-15-8, 5.15.02)*

INTERFUND LOAN POLICIES

4.035 Purpose.

The purpose of these policies is to outline the requirements and responsibilities of departments regarding the use of interfund loans as a short-term financing resource to address cashflow needs in County operations or capital financing plans. *(Revised by Order No. 04-4-28-16; Effective 4.28.16)*

4.040 Policies.

The following are the policies to be used by departments entering into interfund loan transactions:

(1) Interfund loans are a tool employed by the County to assist funds and programs experiencing short-term, transitory cash imbalances created in the conduct of activities approved by the Board of County Commissioners.

(2) Interfund loan requests must be reviewed and approved by the County's Finance and Audit Committee prior to taking a request for authorization to the Board of County Commissioners.

(3) Interfund loans must be authorized by an order of the Board of County Commissioners, which shall state the fund from which the loan is to be made, the fund to which the loan is to be made, the purpose for which the loan is made and the principal amount of the loan, along with a schedule for repayment of principal and interest, or a statement that interest is not applicable to the loan.

(4) Interfund loans must be made in compliance with all other statutory requirements and limitations of ORS 294.460. The provisions of ORS 294.460 are included in LM 4.040(5) and (6) below.

(5) Interfund loans are to be characterized as either "operating" or "capital" and shall meet the following additional requirements, consistent with their character:

(a) An "Operating Interfund Loan" is defined as a loan made for the purpose of paying operating expenses. An operating interfund loan:

(i) Shall be budgeted and repaid no later than the end of the fiscal year subsequent to the period in which the loan was made;

(ii) If not repaid in the same fiscal year in which it is made, the full repayment of the loan shall be appropriated as a budget requirement in the subsequent fiscal year; and

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4.015-4.015-4.015 Lane Manual

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4.020-4.020-4.020

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Lane Manual

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4.040-4.020-4.020 |

(ii) If not repaid in the same fiscal year in which it is made, the full repayment of the loan shall be appropriated as a budget requirement in the subsequent fiscal year; and