



Financial & Budget Policies Investment Policy

**Presented to the
Board of County Commissioners**

Multnomah County
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DCM

AGENDA

- What Are Policies and Why Do We Have Them?
 - *“Policies are Principles, Rules, and Guidelines Adopted by the Legislative Body to Reach Long-Term Goals”*
 - Effective policies preserve or enhance the fiscal health of government
 - Follow Best Practices in Financial Management
- Review Current Financial & Budget Policies
 - No New Policy Proposals
 - Revisions are mostly cosmetic (e.g. fiscal year updates)
- Overview of Investment Policy
- Other Financial Management Tools
 - Internal/External Audits
 - Accounting Standards
 - Administrative Procedures



POLICIES REFLECT BOARD DIRECTION

- Policy Goals
 - Preserve Capital Through Prudent Budgeting and Financial Management
 - Most Productive Use of Funds to Meet Goals Established by Board
 - Achieve Stable Balance Between Ongoing Commitments and Revenues
 - Leverage Local Funds w/ Federal and State Funds
 - Support Government Accountability
 - Board intends to comply with federal/state requirements, GAAP, and GASB
- Subject to Annual Review
 - Update Board on Status of Compliance w/ Adopted Policies
- 17 Policy Statements, Developed and Refined Over Time
 - Annual Review to Report on Status, Identify Changes
 - Recommend New Policy Statements When Desired or Necessary



POLICIES REFLECT BEST PRACTICES

- Policies Follow GFOA Best Practices
 - Tailored to Suit Needs of the Organization
 - Promote stability and continuity
 - Provide Strategic Intent
 - Define limits
 - Manage financial risk
 - Support good bond ratings
 - Framework Organized Around 4 Principles of Budget Process
 - Establish Broad Goals to Guide Decision Making
 - Develop Approaches to Achieve Goals
 - Develop a Budget Consistent w/ Those Approaches
 - Evaluate Performance and Adjust When Necessary
- Features of Effective Policies
 - Exist in Written Form
 - Reviewed on a Regular Basis
 - Establish Clear Goals
- Control v. Flexibility
 - Comply w/ Applicable Laws and Regulations
 - Maintain Flexibility to Respond to Changing Needs



CURRENT POLICY STATEMENTS

- General Fund Forecast
- Tax Revenues
- Federal/State Grant and Foundation Revenues
- Recovery of Indirect Costs
- Use of One Time Only Resources
- User Fees, Sales, and Service Charges
- General Fund Reserve
- Other Fund Reserves
- General Fund Contingency
- Capital Asset and Transportation Planning
- Long Term Liabilities
- Other Fund Balances
- Internal Service Funds
- Investment, Banking and Cash Management
- Short-Term and Long-Term Debt Financings
- Conduit Debt
- Interfund Loans



DEBT CAPACITY LIMIT

- Statutory Debt Limits – **0.28%** to Taxable Real Market Value (RMV), including Bonds and Other Obligations.
 - Voter Approved Debt Limit - 2% of RMV
 - Other Debt Limit - 2% of Real RMV
- Internal County Debt Limit – Cannot exceed 5% of Budgeted General Revenues
 - FY24 Estimate **2.1%** 

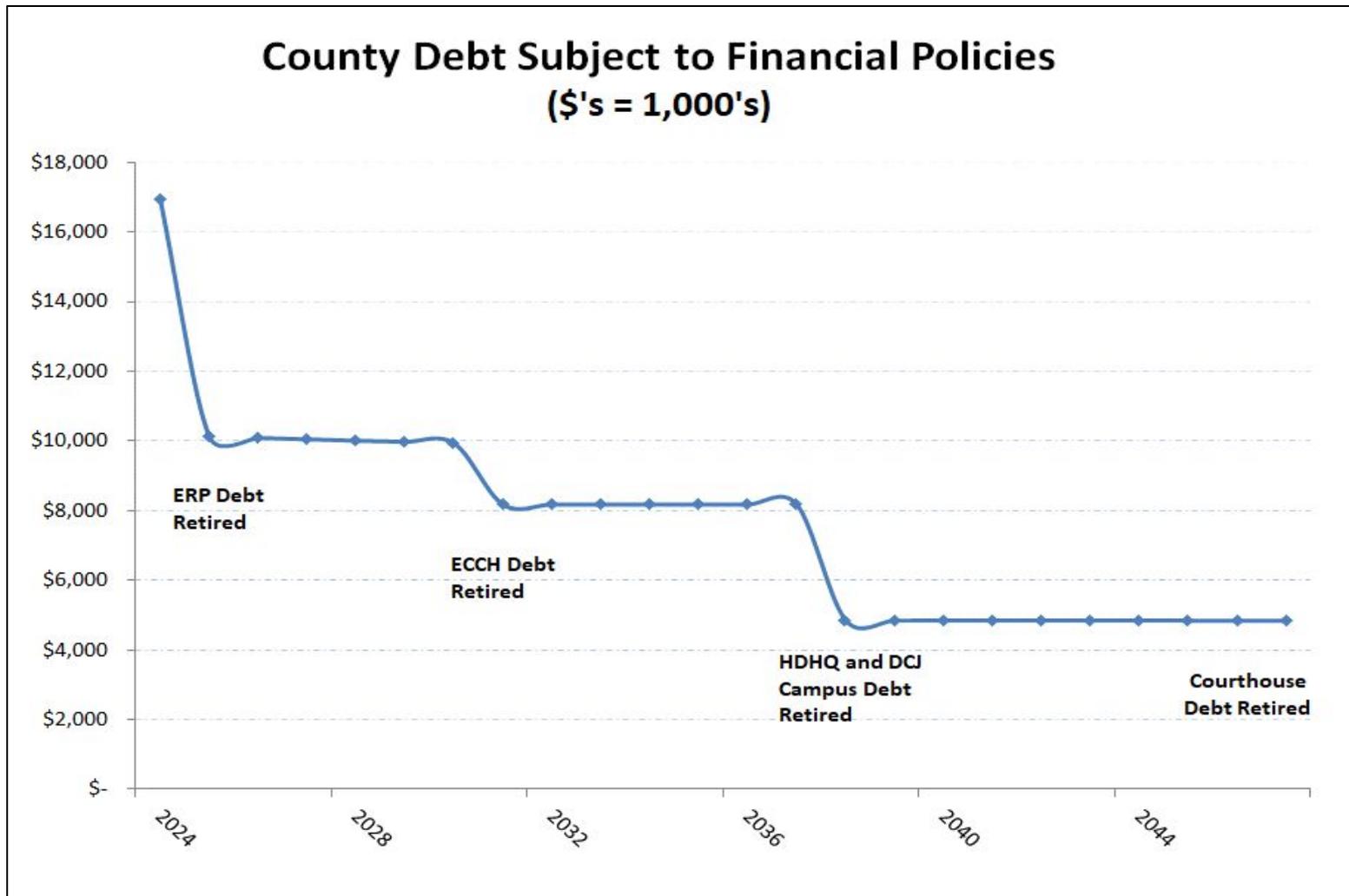
FY 2024 - County General Fund Debt Capacity Limit (in thousands)			
	As of 6/30/23		2023-24
	Principal Outstanding		Debt Service
Total Debt Subject to Financial Policy	\$	242,051	\$ 30,704
Less Non General Fund Supported Debt			
Road Fund (OTIB)		(810)	(292)
Sellwood Bridge (Series 2021 FFCO)		(79,750)	(8,585)
Burnside Bridge NEPA (Series 2019 FFCO)		(10,238)	(1,812)
Burnside Bridge Design & RW (Series 2022 FFCO)		(23,843)	(3,081)
Total General Fund Obligations	\$	127,410	\$ 16,936
(Less) Annual Payment From Other Sources			(2,413)
Net General Fund Obligation			\$ 14,523
REMAINING BORROWING CAPACITY			
Debt Capacity (Supported by General Government Fund Types Only)			
FY 2024 General Fund Revenues ¹			\$ 687,068
Policy Limitation (5% of GF Revenues)			x 5.00%
Total - Maximum Debt			\$ 34,353
(Less) Current GF Commitment	\$	(14,523)	
Annual Debt Service			\$ 19,831
Estimated Principal Value Available²			\$ 248,000

1. General Fund Revenues are net of Beginning Working Capital

2. Estimated Principal calculated at 5.00% annual interest rate amortized over 20 years

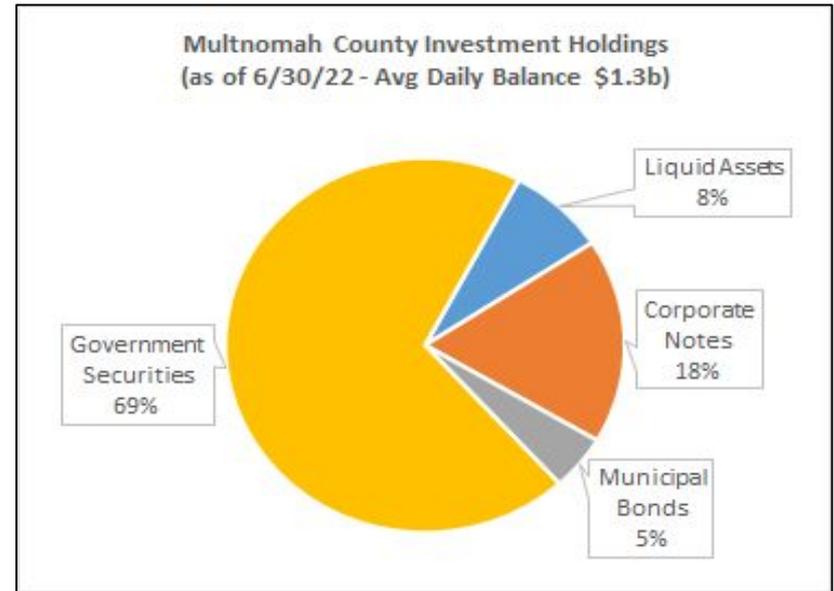


DEBT CAPACITY LIMIT - CONTINUED



INVESTMENT POLICY

- Follows State Statute
 - Portfolio Cannot Hold Equities
 - Establishes Investment Parameters
- **S**(afety), **L**(iquidity), **Y**(ield)
 - How We Evaluate Investments
- Establishes Benchmarks
 - BofA Merrill 0-5 Treasury Benchmark
- Investment Strategy
 - Work w/ Investment Advisor
 - Liquidity v. Core Fund
 - Maturity Constraints
 - Up to 5.25 Years
 - Weighted Average Maturity 2.5 Years

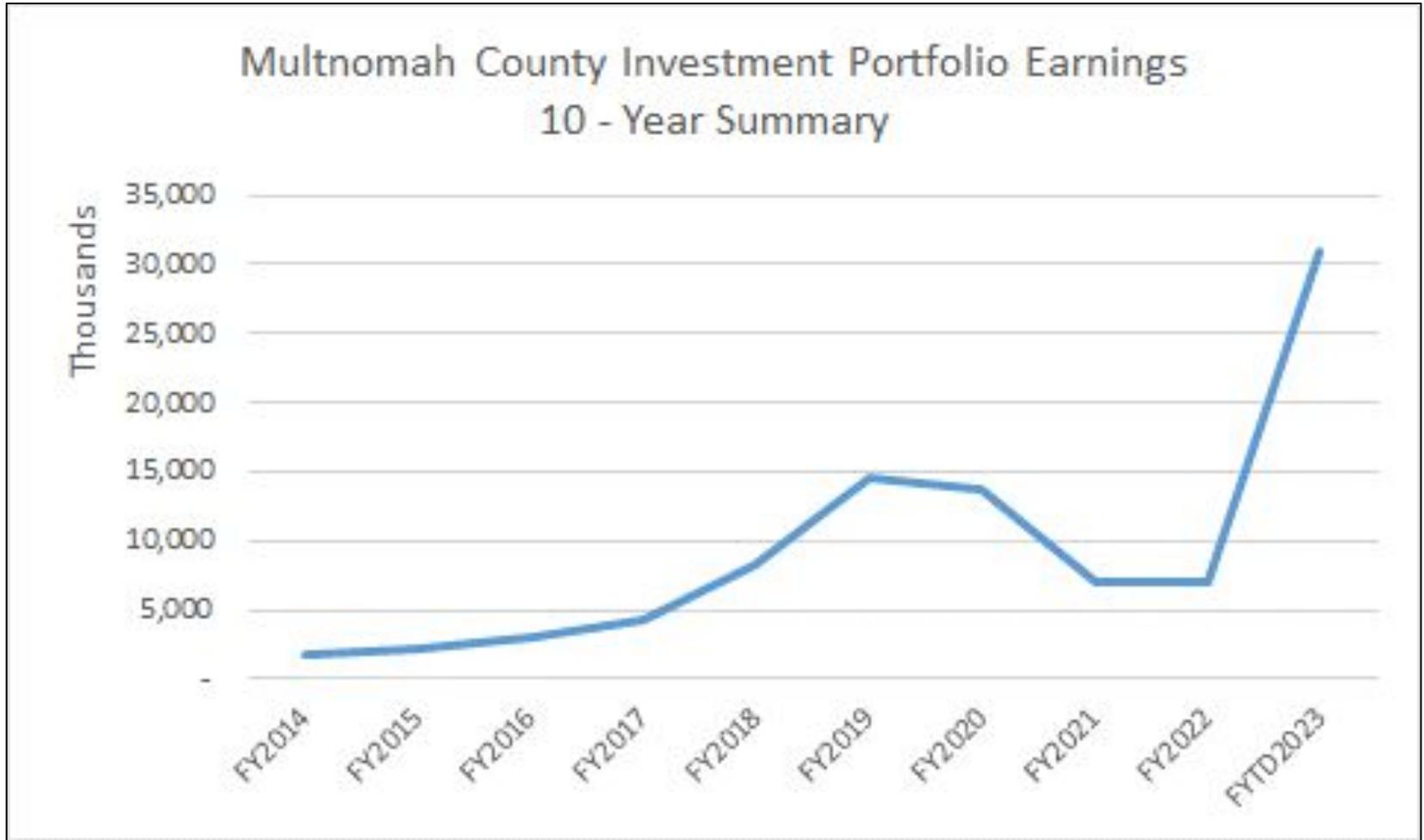


LIQUID ASSET HOLDINGS - As of 4/30/2023

Investment Type	Amount
Demand Deposits	8,670,268
Money Market Accounts	157,223,914
LGIP	63,115,964
Certificates of Deposit	6,715,000
	235,725,146



INVESTMENT POLICY - CONTINUED



POLICY STATEMENTS REVISIONS

- **General Fund Reserve**
 - Increase the budgeted General Fund reserve from 11% to 12% in fiscal year 2024
 - Movement to align with GFOA and Rating Agency best practices “Very Strong”
- **Other Changes**
 - Mostly cosmetic and reference updates



OTHER FINANCIAL MANAGEMENT TOOL

- Audits – Internal & External Audit Recommendations
 - Review Both Central and Departmental Processes
 - Evaluation of Financial Systems and Internal Controls
- Pronouncement – Requirement Established in Statute or Set by Standard (i.e., GASB)
 - May Lead to Development of Policy
- Procedure – Operational Directives Designed to Standardize Processes
 - FAC's, FIN's, PUR's, and RSK's
- Practice – Informal, Does Not Imply Same Level of Commitment
 - May Lead to Development of Policy



FUTURE POLICY ANALYSIS AND DEVELOPMENT

- Review Existing Policies
 - What Can We Learn From Comparable Jurisdictions?
 - Are They Still Relevant? (Lessons learned from emergency)
 - Changes from new accounting pronouncement
- Topics For Future Consideration
 - Procurement
 - Internal Service Funds
 - Addressing Long Term Liabilities
 - ESG (Environmental, Social, and Governance)
- Anything the Board Would Like Us to Consider?
- What Do Rating Agencies Want to See?



SUMMARY AND QUESTIONS

- Policies Establish Framework for Financial and Budgetary Decision Making
 - Reflect Direction of the Board
 - Align with GFOA Best Practices
 - Policies work in conjunction w/Other Financial Management Tools
 - Policy Review and Development is a Continuous Process Improvement
- Proposed Policy Changes
 - Mostly cosmetic and reference updates
- Questions?

