



FINANCIAL AND BUDGET POLICIES INVESTMENT POLICY

**PRESENTED TO THE
BOARD OF COUNTY
COMMISSIONERS**

Multnomah County
May 6, 2025

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Cora Bell
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
 - One New Policy Proposals – **“Contract Administration”**
 - Recovery of Indirect Costs - De Minimis Cost Rate to Subrecipients
 - Other 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
- **18 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 Revenue	Recovery of Indirect Costs
Use of One-Time Only Resources	User Fees, Sales, and Service Charges	Budgeted General Fund Reserves	Budgeted Other Fund Reserves
General Fund Contingency	Contract Administration	Capital Asset and Transportation Planning	Long Term Liabilities
Other Fund Balances	Internal Service Funds	Investments, Banking Services, and Cash Management	Short-term and Long-term Debt Financings
	Conduit Debt	Interfund Loans	



RECOVERY OF INDIRECT COSTS

- What are Indirect Rates?
 - Method to recover overhead costs from revenue grants/contracts
 - Federal guidelines govern recovery methods
- Indirect Cost Rates for Subrecipients
 - Effective October 1, 2024 the Office of Budget and Management (OMB) increased the Federal de minimis cost rate from 10% to 15%
 - Federal Agencies had the option to opt into rate change
- **Proposed Policy Elements:**
 - Most subrecipients receive braided funding (e.g. Federal, General Fund, SHS)
 - When the County is passing through Federal or County funding to a subrecipient, it will apply the 15% de minimis indirect cost rate
 - Indirect cost rate requests above 15% for County pass through funds must be validated through a Cost Allocation Plan (and will be subject to budget constraints)



CONTRACT ADMINISTRATION STANDARDS

- New Policy Statement
 - Contract Administration is the process of administering a negotiated contract according to the terms and conditions within contract
 - Contract Administration includes developing and implementing a contract administration plan, developing a contract administration team, documenting contract file, monitoring and assessing supplier performance and compliance, managing contract changes, and closing out the contract
- Proposed Policy Elements:
 - County Departments shall administer contracts utilizing the contract administration standards contained with the **County's Contracts Administration Manual**
 - All County staff who administer contracts shall complete required Contract Administration Core Training on a biennial basis



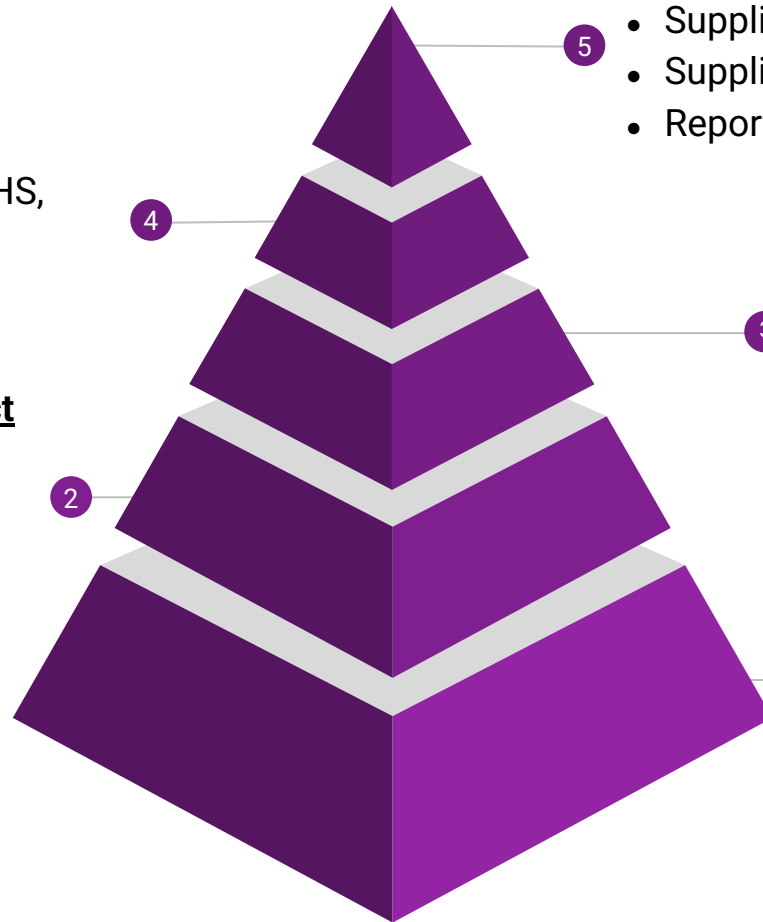
CONTRACT ADMINISTRATION – PROJECT UPDATE

Implementation

- Pilot Implementation-DCHS, HSD, MCHD
- Full Implementation

Contract Administration Project

- Team Developed in 2024
- Agency-wide Discovery
- Introduced & Incorporated Best Practices



Center of Excellence

- Supplier Technical Assistance
- Supplier Registration Support
- Reporting & Advising

Results

- Developed Administrative Policy
- Developed Standards Manual
- Developed Training Curriculum

Background

- 1800+ Contracts in FY23
- \$1.2 Billion
- Audit & Press Coverage
- 2009 Contract Action Team
- 2022 Hired Civic Initiatives



RESERVE POLICY – GENERAL FUND AND OTHER FUNDS

- Reserves Benchmarks:
 - General Fund
 - County General Fund 12% (\$77.8 million)
 - Business Income Tax Stabilization 12% (\$21.1 million)
 - Other Funds
 - Preschool for All Fund 15% (\$26.6 million)
 - Supportive Housing Services Fund 10% (\$3.3 million)
 - Reserve will be replenished within 1-3 fiscal years
- Purpose:
 - To protect the County against temporary fluctuations in revenues
 - Can be used when actual revenues fall below budgeted estimates “Forecasted”
- In FY 2023, the Board set a multi-year commitment to incrementally raise General Fund reserve benchmark from 10% to 15% to align with GFOA best practices




EXTERNAL AND INTERNAL DEBT LIMITS

- Statutory Limits
 - General Obligation Bonds - 2% of Real Market Value = \$4.1 Billion
 - Revenue and FFC Bonds - 1% of Real Market Value = \$2.1 Billion
 - Pension Obligation Bonds - 5% of Real Market Value = \$10.3 Billion
- County Policy
 - Annual Debt Service Can Not Exceed 5% of Ongoing General Fund Revenue
 - County Well Within Limits Established in ORS
 - Match Debt Amortization to Expected Asset Life
 - Use of One-Time-Only GF Revenue to “Buy Down” Debt
 - Refinance Debt when Net Present Value Savings Exceed 3%
- Interfund Loans (ORS 294.468)
 - Operating Cash Flow or Capital

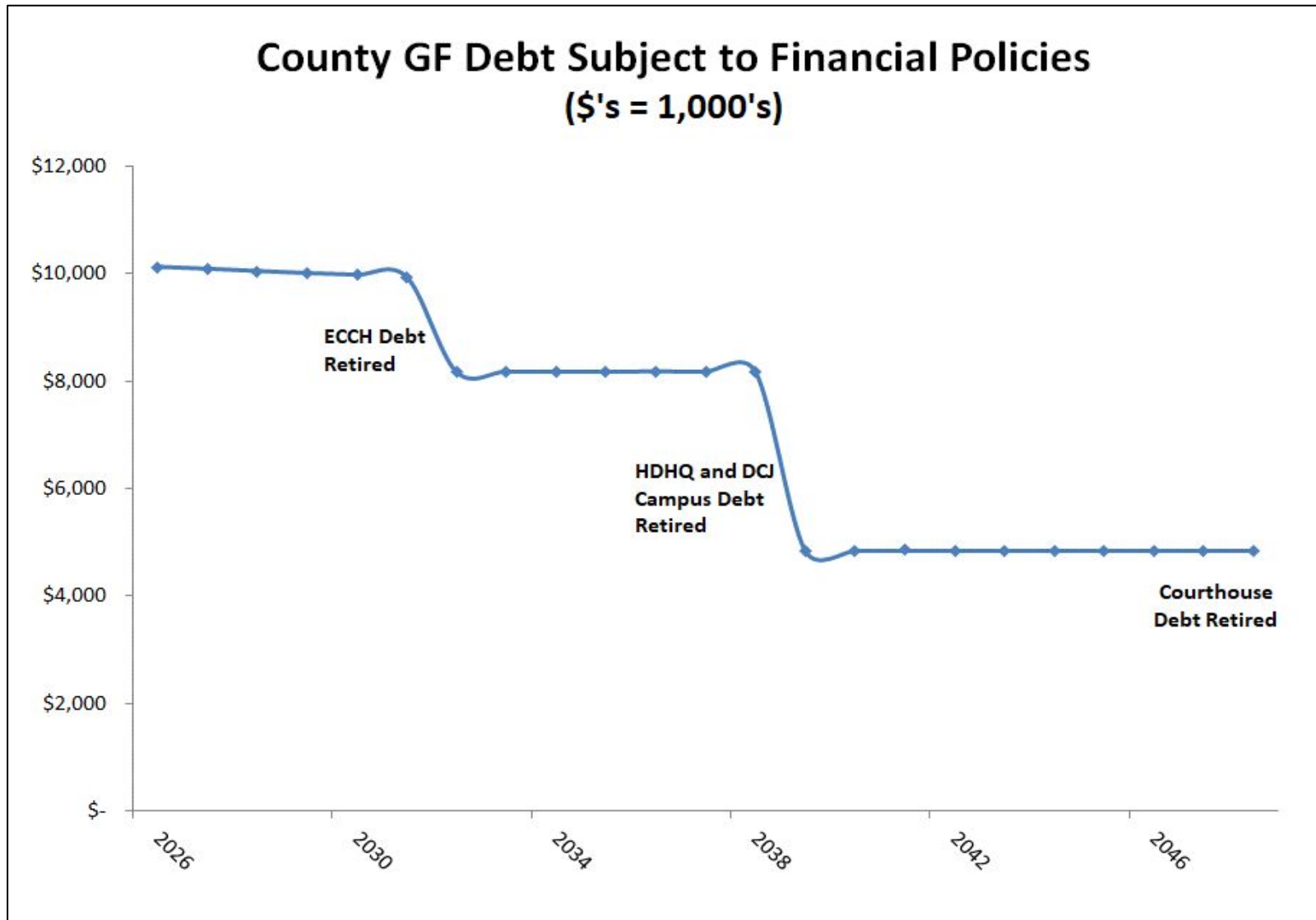


INTERNAL DEBT CAPACITY LIMIT

FY 2026 County General Fund Debt Capacity Limit		
	As of 6/30/2025	2025-26
	Principal Outstanding	Debt Service
Total Debt Subject to Financial Policy	\$201,293,447	\$23,854,814
Less Non General Fund Supported Debt		
Road Fund (Oregon Transportation Infrastructure Bank loan)	(280,661)	(291,831)
Sellwood Bridge (Series 2021 FFCO)	(64,495,000)	(8,582,523)
Burnside Bridge National Environmental Policy Act phase (Series 2019 FFCO)	(6,942,248)	(1,811,710)
Burnside Bridge Design & Right-of-Way (Series 2022 FFCO)	(19,100,538)	(3,080,796)
Total General Fund Obligation	\$110,475,000	\$10,087,955
(Less) Annual Payment From Other Sources		(772,526)
Net FY 2026 General Fund Obligation		\$9,315,429
REMAINING BORROWING CAPACITY		
Debt Capacity (Supported by General Government Fund Types Only)		
FY 2026 General Fund Revenues ¹		\$753,283,296
Policy Limitation (5% of General Fund Revenues)		x 5.00%
Maximum Debt Service per Policy		\$37,664,165
(Less) Current General Fund Commitment		(9,315,429)
Annual Debt Service Payment Available		\$28,348,735
Estimated Principal Value Available²		\$340,000,000
¹ General Fund Revenues for this calculation do not include Beginning Working Capital		
² Estimated Principal calculated at 5.50% annual interest rate amortized over 20 years		

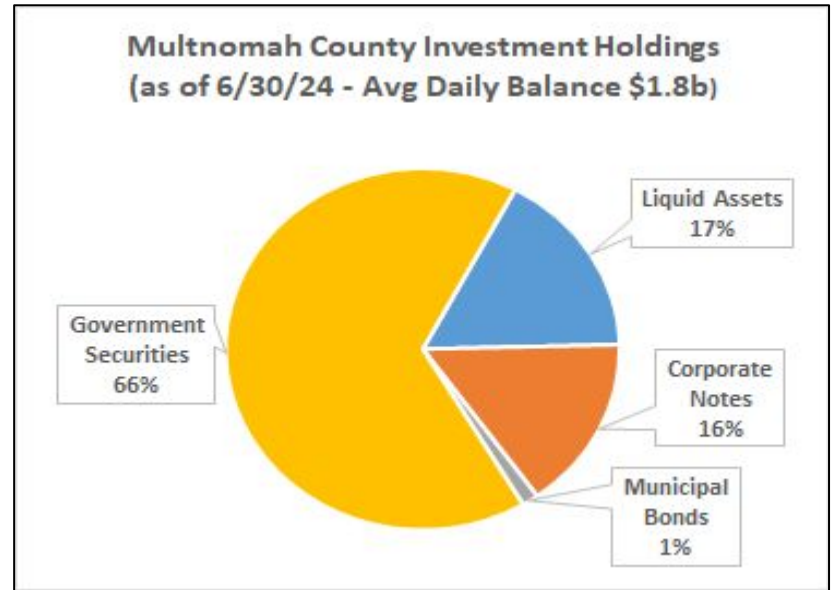


INTERNAL DEBT CAPACITY LIMIT - CONTINUED



INVESTMENT POLICY OVERVIEW

- Follows State Statute
 - Portfolio Cannot Hold Equities
 - Establishes Investment Parameters
- **S**(afety), **L**(iquidity), **Y**(ield)
 - How We Evaluate Investments
 - Do Not Invest in Fossil Fuels
- 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

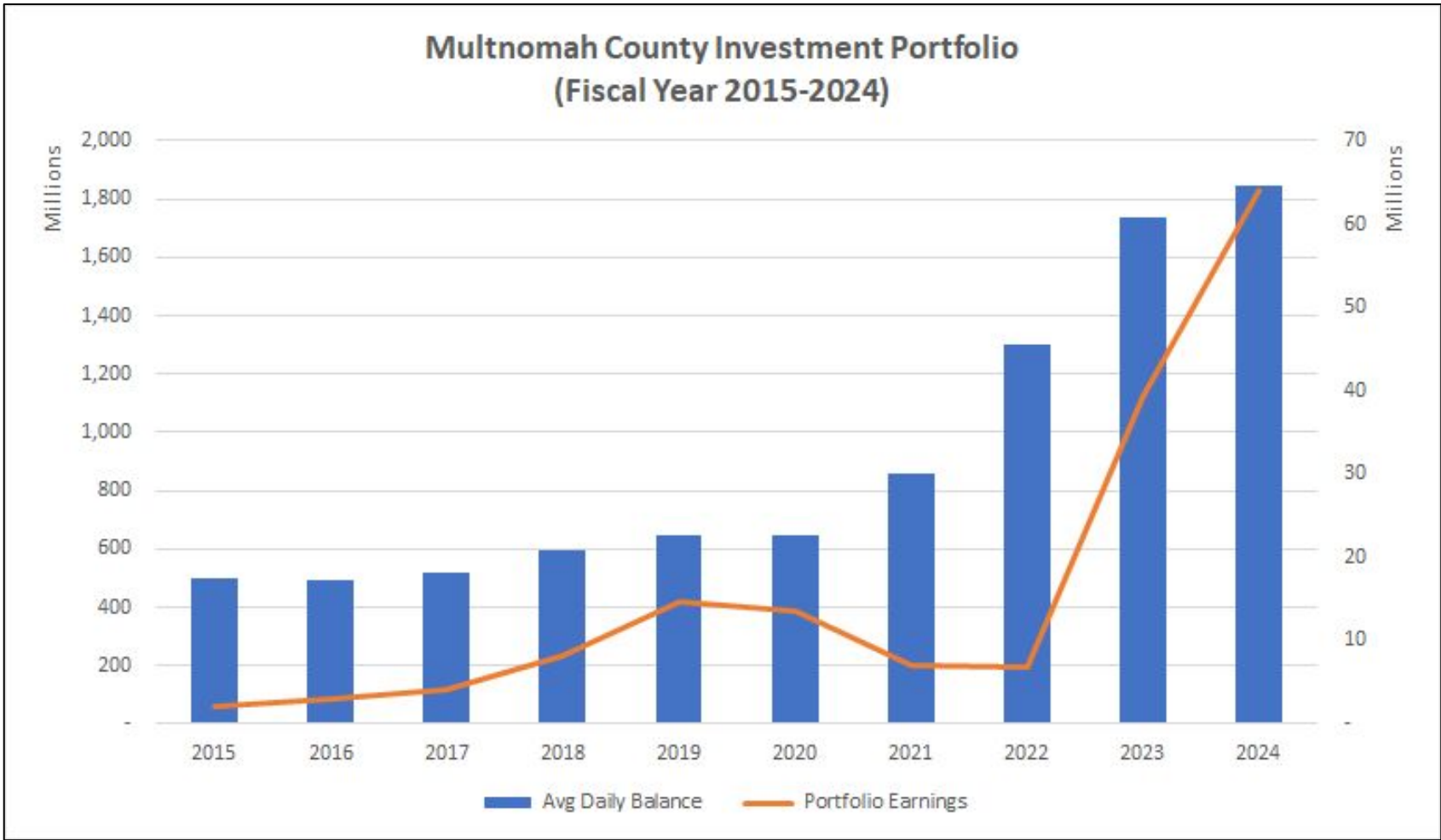


LIQUID ASSET HOLDINGS - As of 6/30/2024

Investment Type	Amount
Demand Deposits	8,908,564
Money Market Accounts	207,100,235
LGIP	55,708,449
Certificates of Deposit	8,715,000
	280,432,249



INVESTMENT POLICY - CONTINUED



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) INVESTING

- ESG determination for Corporate Bond Investments
 - ESG Integration would allow us to score prospective companies based on environmental, social, and governance factors.
 - **Examples Factors:** emission standards, climate transition risks, sustainability practices, renewable energy, data security, labor practices, ethical conduct, audit practices, transparent governance structure, etc.
- **Proposed Policy Elements:**
 - Beginning July 2025, the County would adopt Bloomberg ESG Scoring System for Corporate Bonds
 - Prospective Corporate Bonds would need to be scored above an established score percentile
 - In the event a Corporate holding drops below minimum score, security holding will be held to maturity, but County will refrain from additional purchases



OTHER FINANCIAL MANAGEMENT TOOL

- Audits – Internal & External Audit Recommendations
 - Review Both Central and Departmental Processes
 - Evaluation of Financial Systems and Internal Controls
- Pronouncements – Requirement Established in Statute or Set by Standard (i.e., GASB)
 - May Lead to Development of Policy
- Procedures – Operational Directives Designed to Standardize Processes
 - FAC's, FIN's, PUR's, and RSK's
- Best Practices – 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
 - Grant Making
 - Contract Administration – Contract Deliverables
- Anything the Board Would Like Us to Consider?
- What Do Rating Agencies Want to See?
 - Multnomah County is currently rated by Moody's (Aaa) and Standard & Poor's (AAA)



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
 - New Policy Statement – Contract Administration
 - De Minimis Indirect Cost Rates for Subrecipients
 - ESG Investment Standards
 - Other cosmetic and reference updates
- Questions?



APPENDIX: OUTSTANDING COUNTY DEBT

Debt Description	Dated	Maturity Date	Avg Annual Interest	Amount Issued	Principal	Principal	2025-26 Interest	2025-26 Principal
					Outstanding 6/30/2025	Outstanding 6/30/2026		
PERS Pension Revenue Bonds:								
Limited Tax Pension Obligation Revenue Bonds	12/01/99	06/01/30	7.67%	\$ 184,548,160	\$ 22,323,616	\$ 17,653,909	\$ 30,215,293	\$ 4,669,707
General Obligation Bonds:								
Series 2021 A&B - Library Projects GO Bonds	01/26/21	06/15/29	3.14%	\$ 387,000,000	\$ 214,120,000	\$ 165,250,000	\$ 8,220,090	\$ 48,870,000
Full Faith and Credit Obligations:								
Series 2010B - Full Faith and Credit	12/14/10	06/01/30	2.74%	15,000,000	7,945,000	6,435,000	401,223	1,510,000
Series 2017 - Full Faith and Credit	12/14/17	06/01/47	3.09%	164,110,000	102,530,000	98,465,000	4,111,731	4,065,000
Series 2019 - Full Faith and Credit	09/12/19	06/01/29	1.74%	16,075,000	6,942,248	5,251,333	120,795	1,690,915
Series 2021 - Full Faith and Credit	01/21/21	06/01/33	1.33%	89,580,000	64,495,000	56,755,000	842,523	7,740,000
Series 2022 - Full Faith and Credit	09/20/22	06/01/32	3.13%	25,095,000	19,100,538	16,617,589	597,847	2,482,949
Total Full Faith and Credit				\$ 309,860,000	\$ 201,012,786	\$ 183,523,922	\$ 6,074,119	\$ 17,488,864
Loans:								
Oregon Transportation Infrastructure Bank	09/01/08	09/01/25	3.98%	\$ 3,200,000	\$ 280,661	\$ -	\$ 11,170	\$ 280,661

