



OFFICE OF MAYOR SAM ADAMS
CITY OF PORTLAND

FREQUENTLY ASKED QUESTIONS AND ANSWERS
Responsible Banking Resolution
Revised February 3, 2011

Q: What is the problem?

A: The City of Portland has a substantial amount of money invested in banks and strives to maintain an investment portfolio that preserves the City's principal while serving the liquidity needs of the City and also generating a fair return. While the City of Portland recognizes the importance of national banks and the indispensable services they provide, the City also recognizes the value of having a portfolio that includes local investments in community-based institutions.

In order to better serve these priorities—while still maintaining the stated principal, liquidity, and return goals of the Investment Policy—the City would like to be able to explore potential options for investment in credit unions and community-based banks and to include community investment practices as part of the evaluation criteria for selecting banking services in future contracting opportunities.

Investment in credit unions and community-based banks has been correlated with positive impacts on local economies and job creation, through increased proportion of loans to local businesses and focus on local customer needs. Allowing the City to explore the possibility of shifting portions of its money from out-of-state multinational banks to in-state credit unions and community-based banks and evaluate banking services based on community investment practices may help achieve the City's goal of creating economically sustainable local and regional communities.

Q: What is the City's investment policy and who is in charge of it?

A: The City's Investment Policy is adopted by council and implemented by the City Treasurer. The policy establishes the current criteria for the operation of the investment portfolio and

applies to all City funds on deposit. Deferred Compensation funds are governed by separate rules and are not covered within this policy. The first and foremost objective of the policy is to establish a conservative set of investment criteria that will protect the City's cash assets. A copy of the City's Investment Policy can be found at:

<http://www.portlandonline.com/auditor/index.cfm?a=329441&c=47787>

Q: Where is the City of Portland's money invested now?

A: Investments are made in accordance with the City's Investment Policy as well as Oregon Revised Statutes. The objectives of the portfolio are to preserve the principal and serve the liquidity needs of the City while generating the fair return within those confines. In order to achieve that objective, the City invests in a diversified portfolio of conservative investments, most heavily in US Securities or US Backed Securities. While the vast majority of City funds are invested in federal securities, there is an element of our portfolio that invests money in banks. As of November 30, 2011 the City maintained the following bank balances:

Wells Fargo (Checking and Investment)	\$ 7,207,000
Albina Community Bank	250,000
Key Bank	3,000
Umpqua Bank	29,990,000
US Bank	<u>17,000</u>
Total	\$37,467,000

It is important to note that the Wells Fargo account is established as our checking account and is utilized to pay the City's bills and meet short term needs. Wells Fargo was selected through an RFP process, for banking and treasury management services, that was conducted in 2008 and was approved by Council on March 25, 2009. Unsuccessful bidders for that contract were Bank of America, US Bank and Key Bank.

Q: Why can't the City of Portland invest all its money in credit unions?

A: When it comes to bank investments the City, under Oregon Statute, is allowed to invest in any bank authorized to transact business in the State of Oregon up to the limit of insurance (FDIC). The City can invest funds in excess of that limit if the bank meets certain collateralization requirements and is approved by the Oregon State Treasurer. This collateralization of funds in essence provides additional security for the City's deposits should the bank fail. As such all banks deposits listed above, including the \$7.2 million in Wells Fargo and \$30 million in Umpqua, have securities pledged as collateral to backstop those deposits based upon State Statute.

As it pertains to Credit Unions, the current law only allows local governments to invest up to the limits of the Credit Union's insurance (NCUA) which are currently at \$250,000. This will change in 2013 when HB 3700 takes effect, allowing Credit Unions to become approved by the State Treasurer if they meet the same collateralization requirements as banks.

While Oregon Statute does allow the City of Portland to invest up to \$250,000 in local credit unions, the City's Investment Policy does not. With [this draft resolution](#) and the accompanying [Investment Policy resolution](#), we are now making amendments to the City's Investment Policy that will allow us to invest up to the \$250,000 in credit unions.

Also, with this resolution and the change to the City's Investment Policy, Council would direct the City Treasurer to make up to 10 initial investments in credit unions and other local financial institutions up to the NCUA and FDIC insurance limit in 2012.

Q: What is Mayor Sam Adams proposing?

A: The draft resolution title is: Declares intent for the Treasurer of the City of Portland to consider future investment options in credit unions as allowed under Oregon House Bill 3700 in 2013; supports the Treasurer to amend the City's Investment Policy to allow for investments in credit unions or other financial institutions up to the applicable NCUA or FDIC insurance limit and declares intent to make those initial investments in up to 10 investments in 2012; and supports changes in the bidding process to increase competition and consider community reinvestment criteria for selecting financial institutions which provide the City's financial services.

Mayor Adams resolution covers several aspects of responsible banking for the City of Portland:

- The resolution allows for changes to the City's Investment Policy that would permit the City of Portland to invest the \$250,000 in credit unions as allowed in current Oregon Statutes.
- In accordance with changes in the City's Investment Policy, the resolution directs the City Treasurer to make up to 10 initial investments in credit unions and other local financial institutions up to the NCUA and FDIC insurance limit in 2012.
- The resolution is supportive of [HB 3700](#), and in accordance with House Bill 3700, the City of Portland will enter into a relationship with at least one credit union and submit a letter of intent to invest more than \$250,000 in that credit union should it be accepted under the collateralization program established in House Bill 3700.
- The resolution recognizes that a variety of financial institutions are uniquely situated to handle the City of Portland's investment and merchant needs and encourages the City to bid out services and projects in a way that encourages a diverse set of financial institutions to bid (e.g. break up projects etc).
- This resolution supports researching national best practices and including as part of the selection criteria for banking services other aspects of a financial institution possibly including but not limited to community re-investment practices, small business loan

programs, workforce data, and mortgage and interest rates and terms, to the extent they are available at the time of the solicitation process and provide a reasonable basis of comparison and are allowed under law.