

MITCH Charter School

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Addendums A and B to Investment Policy

Addendum A to Investment Policy

ORS Chapter 294.035 is not applicable to Oregon public charter schools by its terms.

For purposes of determining credit ratings by its investment policy, the Board has decided to follow the guidelines of ORS 294.035(3), as applicable.

294.035 Investment of surplus funds of political subdivisions; approved investments.

- (3) Investments authorized by this section are:
- (a) Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government and obligations whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government.
 - (b) Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.
 - (c) Lawfully issued debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.
 - (d) Time deposit open accounts, certificates of deposit and savings accounts in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state.
 - (e) Share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.
 - (f) Fixed or variable life insurance or annuity contracts as defined by ORS 731.170 and guaranteed investment contracts issued by life insurance companies authorized to do business in this state.
 - (g) Trusts in which deferred compensation funds from other public employers are pooled, if:
 - (i) The purpose is to establish a deferred compensation plan;
 - (ii) The trust is a public instrumentality of such public employers and described in section (2)(b) of the Investment Company Act of 1940, 15 U.S.C. 80a-2(b), as

amended, in effect on September 20, 1985, or the trust is a common trust fund described in ORS 709.170;

- (iii) Under the terms of the plan the net income from or gain or loss due to fluctuation in value of the underlying assets of the trust, or other change in such assets, is reflected in an equal increase or decrease in the amount distributable to the employee or the beneficiary thereof and, therefore, does not ultimately result in a net increase or decrease in the worth of the public employer or the state; and
- (iv) The fidelity of the trustees and others with access to such assets, other than a trust company, as defined in ORS 706.008, is insured by a surety bond that is satisfactory to the public employer, issued by a company authorized to do a surety business in this state and in an amount that is not less than 10 percent of the value of such assets.

(h) (A) Banker's acceptances, if the banker's acceptances are:

- (i) Guaranteed by, and carried on the books of, a qualified financial institution;
- (ii) Eligible for discount by the Federal Reserve System; and
- (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

(B) For the purposes of this paragraph, "qualified financial institution" means:

- (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or
- (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon.

(C) A custodial officer shall not permit more than 25 percent of the moneys of a local government that are available for investment, as determined on the settlement date, to be invested in banker's acceptances of any qualified financial institution.

- (i) (A) Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Corporate indebtedness described in this paragraph does not include banker's acceptances. The corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution, including a holding company owning a majority interest in a qualified financial institution.
- B) Corporate indebtedness must be rated on the settlement date P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization.
- C) Notwithstanding subparagraph (B) of this paragraph, the corporate indebtedness must be rated on the settlement date P-2 or A or better by Moody's Investors Service or A-2 or A or better by Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization when the corporate indebtedness is:

- (i) Issued by a business enterprise that has its headquarters in Oregon, employs more than 50 percent of its permanent workforce in Oregon or has more than 50 percent of its tangible assets in Oregon; or
 - (ii) Issued by a holding company owning not less than a majority interest in a qualified financial institution, as defined in paragraph (h) of this subsection, located and licensed to do banking business in Oregon or by a holding company owning not less than a majority interest in a business enterprise described in sub-subparagraph (i) of this subparagraph.
- (D) A custodial officer may not permit more than 35 percent of the moneys of a local government that are available for investment, as determined on the settlement date, to be invested in corporate indebtedness, and may not permit more than five percent of the moneys of a local government that are available for investment to be invested in corporate indebtedness of any single corporate entity and its affiliates or subsidiaries.
- (j) Repurchase agreements whereby the custodial officer purchases securities from a financial institution or securities dealer subject to an agreement by the seller to repurchase the securities. The repurchase agreement must be in writing and executed in advance of the initial purchase of the securities that are the subject of the repurchase agreement. Only securities described in paragraph (a) of this subsection may be used in conjunction with a repurchase agreement and such securities shall have a maturity of not longer than three years. The price paid by the custodial officer for such securities may not exceed amounts or percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short Term Fund Board created by ORS 294.885.
 - (k) Shares of stock of any company, association or corporation, including but not limited to shares of a mutual fund, but only if the moneys being invested are funds set aside pursuant to a local government deferred compensation plan and are held in trust for the exclusive benefit of participants and their beneficiaries.

294.040 Restriction on investments under ORS 294.035. The bonds listed in ORS 294.035

(3)(a) to (c) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, MITCH or city, for a period of five years next preceding the date of the investment.

END of Addendum A

Addendum B to Investment Policy

Addendum B includes investment parameters that may be changed periodically by the Finance Committee in consult with its investment advisor.

Maximum Maturities and Percentage of Investments by Type (Investment Parameters #2.)

Security	Maximum % of Total Portfolio	Maximum Maturity
US Treasury Bills, Notes and Bonds, and Obligations Secured by the US		18 months for operating funds 3 years for special project funds
Treasury	100%	
US Government Agencies And Instrumentalities, Including Government		18 months for operating funds 3 years for special project funds
Sponsored Enterprises	100%	
State and Local Government Securities	30%	18 months for operating funds 3 years for special project funds
Time Certificates of Deposit	50%**	18 months
Repurchase Agreements	25%	30 days
Banker's Acceptances	25%	6 months
Corporate Indebtedness	35%	18 months
Time Deposit Open Accounts Bank Deposit and Savings Accounts	100%	N/A

** Time Certificates of Deposits may be increased to 100% of the portfolio if the amount to be invested is not significant so that fees of other investments would greatly reduce earnings (typically an investment of less than \$100,000 may be 100 % invested in CDs)

In order to achieve issuer diversification, this policy sets limits on the maximum holdings by issuer for certain investment types.

- (a) A limit of 35% of the portfolio held in securities issued by any single US government agency.
- (b) Time certificates of deposit and banker's acceptances can all be issued by a single banking institution. In order to avoid over-concentration in a single banking institution, a limit of 10% for overall holdings of one institution or for insured deposits up to the federal deposit insurance limit.

Recommended to limit investment in a single corporate entity to no more than 5% of total surplus funds.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio, but consideration should be given to this matter when future liquidations are made or when reinvestment occurs. Portfolio percentage limits are in place to ensure diversification in the investment portfolio; a small, temporary imbalance will not significantly impair that strategy.

Liquidity of Funds

(Investment Parameters #3)

The following maturity limits are designed to ensure liquidity in the portfolio:

Length of Maturity Minimum % of Total Portfolio

Under 30 days	10%
Under 90 days	25%
Under 180 days	50%
Under 360 days	90%
Under 18 months	100%

If these maturity limits are inadvertently exceeded at the time of a specific investment, the purchase does not need to be liquidated. The Finance Committee may alter the length of maturity and percentage of the portfolio based on anticipated timing of need and in accordance with this policy.

End of Addendum B