



Willamette Falls Locks AUTHORITY

Authority Meeting

Oregon City Library

606 John Adams St, Oregon City

Wednesday, May 22, 2024 – 2:00 to 3:30 PM

Optional hybrid attendee link: <https://us06web.zoom.us/j/89653603970>

Agenda

Authority Mission:

- *The mission of the Authority is to establish ownership, oversight, and management of the Willamette Falls Locks project, for the purposes of:*
 - *Enhancing the economic vitality of Oregon through facilitating the resiliency and navigability of the Willamette River; and*
 - *Repairing, maintaining, upgrading, and operating the Willamette Falls Locks project and associated properties and facilities for commercial, transportation, recreational, cultural, historic, heritage and tourism purposes.*

2:00 – 2:15	<p>Welcome, Agenda Overview, Board Officer Elections. Minutes Approval</p> <ul style="list-style-type: none"> ○ Welcome, Agenda Review ○ Approval of Minutes from WFLA Meeting (March and April 2024) ○ Accounting and Treasurer’s update <ul style="list-style-type: none"> ▪ Total Year to Date: Budget to Actuals ▪ Approval of Treasurer’s report
	<p>WFLA Director’s Report - Business Item Updates</p> <ul style="list-style-type: none"> - Discuss the tour on May 28th - Recreation and Tourism Update - Financial Decisions and Policies <ul style="list-style-type: none"> ▪ Financial Policies and Procurement Manual <ul style="list-style-type: none"> - Adopt Chapters 3 and 6 of Financial Policies - Review Chapters 2, 7 and 8 ▪ Auditing Proposal <ul style="list-style-type: none"> - Approve Proposal
3:00-3:10	<p>Wrap-up & Adjourn</p> <ul style="list-style-type: none"> ○ Next Meeting, June 26, 2024

WILLAMETTE FALLS LOCKS AUTHORITY

Authority Meeting
April 24, 2024 – 2:00-3:30 PM
Meeting Minutes

Authority Board Members Present:

Russ Axelrod [*Geologist, former West Linn Mayor*]
Mary Baumgardner [*President, West Linn City Council*]
Sandy Carter [*Advocates for Willamette Falls Heritage*]
Robert Kentta [*Confederated Tribes of Siletz*]
Christine Lewis [*Metro Council*]
Mini Sharma Ogle [*PGE*]

Excused Absences:

Denyse McGriff [*Mayor, Oregon City*]
Chris Mercier [*Vice Chair, Confederated Tribes of Grande Ronde*]
David Penilton [*Clackamas County Tourism/MERC Commission*]
Unexcused Absences
Tootie Smith [*Chair, Clackamas County Board of Commissioners*]

Legislative ex officio members present:

Rep. James Hieb [*House District 51*]
Will Worth for Rep. Jules Walters [*House District 37*]

Staff:

Reed Wagner [*WFLA Executive Director*]
Georgia Langer [*Metro*]

Others Present:

Keith Hobson [*Keith Hobson Consulting*]
Martha Pellegrino
Ramona Perrault [*Metro*]
Doug Riggs [*City of West Linn*]
Lt. Robert Powell [*retired Coast Guard/member of the public*]
McKenzie Worthington [*SD 19 – Pres. Wagner*]
Bob and Donna Hansen
Rick Jacobson

1. Welcome, Agenda Overview, Accounting Update and Minutes Approval

1a. Agenda Overview. Chair Christine Lewis called the meeting to order and noted that a quorum was not yet present for voting, so meeting minutes approval was slightly delayed.

1b. Accounting and Treasurer's Update Officer Keith Hobson recapped the subcommittee's work session that took place two weeks ago. Hobson also discussed the budget committee notice which was publicized via newspapers and the WFLA website. Copies of the proposed budget were distributed. The full Board will be asked to approve the budget at the June meeting. Russ Axelrod asked if the cost of an audit is part of the proposed 2024-25 budget. There was discussion (to be continued under section 2a below) of the \$25,000 quote, which Axelrod suggested is too high. Chair Lewis said the Board is working to negotiate the price down.

Executive Director Reed Wagner reported that most of the costs in the current fiscal year are contract fees for legal and financial services. A member of the public, Lt. Robert Powell, asked how much has been spent to date. Wagner responded that it is less than \$125,000 in overall expenses.

ACTIONS:

(1) Mary Baumgardner nominated Denyse McGriff as budget committee chair, seconded by Chair Christine Lewis. Assuming Denyse agrees to serve (she was unable to be present today), the budget subcommittee unanimously approved her nomination.

(2) Mary Baumgardner made a motion to approve the fiscal year 2024-25 budget, seconded by Chair Lewis. The subcommittee unanimously approved the proposed budget, noting the full Board can make adjustments as needed.

1c. March Minutes Approval. With the presence of six Board members, a quorum was established for review of the March meeting minutes. Reed reported that Secretary Sandy Carter had sent out a revision with no substantive changes. Russ Axelrod had questions about section 2e, Multi-Year Budget Outlook, which Sandy reported she had already clarified in her version of the minutes. There was agreement to postpone approval of the March meeting minutes until the Board meets again in May. Sandy said her edited version will be sent out before May for prior review.

1d. Total Year to Date: Budget to Actuals, and Approval of Treasurer's Report. Actual expenditures were \$110,193 for the current fiscal year vs. a total budget of \$220,000; spending has been lower than projected. There were no questions.

ACTION: Mini Sharma Ogle moved to approve the treasurer's report. Seconded by Mary Baumgardner and approved unanimously.

2. Director's Report: Business Item Updates

2a. First Draft of 2024-25 Budget. Reed Wagner reported. At the last meeting, the Board requested a more current estimate of the cost of improvements since KPFF reported to the Commission in 2018. KPFF has told Reed it would cost about \$6,900 for them to update their estimate to 2026 numbers. Reed asked the Board what it wants to do.

Rather than spending that money now, Russ Axelrod suggested talking to the Corps about the percentage increases they've seen in their engineering budget and use that information to escalate the 2018 estimate. Chair Lewis asked Rep. Hieb how exact the number needs to be for purposes of the long legislative session. He said a more accurate figure would be desirable, but he can inform legislators the Authority will use a ballpark figure to be updated later.

There was discussion of whether to pay KPFF now to update their estimate when construction won't happen for two more years, and whether more than one estimate is needed. Several Board members said they were comfortable with calculating an escalated cost based on the 2018 quote. If the cost is underestimated, it could shortchange the ask, Mary and Sandy cautioned.

The 2018 report uses data from a 2010 inspection, which will be 16 years old by the time construction begins, Reed said. There were suggestions to reach out to the Corps, PGE and ODOT for information. Rep. Hieb said adjusting the KPFF quote for inflation might be sufficient for legislative purposes. The Board will decide at its next meeting whether to pay KPFF \$5,000-\$7,000 to update its estimate.

2b. Auditing Proposal. Chair Lewis asked if Board members had any questions about the 2024-25 budget. Discussion focused on the \$25,000 line item for an audit of the WFLA account, which has about 10-15 transactions per month. Only one bidder responded to the RFP. The financial directors of Oregon City and West Linn have both told Reed auditing is expensive now due to a shortage of auditors. Reed suggested that there should probably be an audit if they are asking for federal and state funding next year, adding that the options are to accept this bid or make a counter-proposal.

Keith Hobson said there are two basic questions: Do you accept the budget with that line item in it, and do you accept the proposal? Russ Axelrod said he was comfortable approving the 2024-25 budget with a \$25,000 line item for auditing, knowing the Board will negotiate. Keith shared that Marion County hasn't sent a check recently but made a one-time contribution in 2022, which wasn't reflected in the 2022-23 budget but appears in the 2023-24 budget. Reed noted that they might be willing to contribute again if asked. Reed noted that it's time to develop a fundraising plan that includes current partners and state and federal sources.

2c. Financial Policies and Procedures Manual. Keith Hobson reported. The Board has expressed interest in speeding up approval and adoption of policies covered in individual chapters. They

approved Chapters 1, 4 and 5 in February and adopted chapters 1 and 4 in the March meeting. Chapter 5 was scheduled for adoption today. Chapters 3 and 6 were scheduled for review today and adoption at the next Board meeting.

Keith asked the Board for its comments on Chapters 3 and 6, to be followed by adoption of Chapter 5. There was discussion of whether to require dual signatures on checks. Keith stated that email approval could be used instead, or fiscal control could happen before checks are written. The Board considered a policy of being alerted if the amount exceeds the limit of the contract or exceeds a set amount. Keith said he could easily edit the manual to reflect the Board's decisions on this.

Christine Lewis wondered whether the banking section should include procedures to protect funds from phishing and invoicing scams, perhaps in a separate section under banking fraud protection. Keith said he will add bullets to the procedures section in Chapter 3 addressing this.

Regarding Chapter 5, Russ Axelrod suggested using uniform language saying that alcohol use will "not be reimbursed" throughout the document; Christine agreed. Sandy pointed out a grammatical error on the first page of chapter 5: "Authority's" should be possessive, not plural.

ACTION: Russ Axelrod made a motion, seconded by Robert Kentta, that Chapter 5 be adopted with these two minor changes. The motion passed unanimously.

As of today, the Board has adopted Chapters 1, 4 and 5. At the next meeting, the Board will be asked to adopt Chapters 3 and 6. It was noted the Board is only adopting the policies in these chapters, with procedures to be refined later.

2d. Update on Site Visit. Mini Sharma Ogle reported. No dates have been established yet, but it will probably be late May, according to Chair Lewis. A PGE staff person has been assigned to work with Reed and the Corps and on setting up the tour.

3. Wrap Up and Adjourn

A member of the public, retired Lieutenant Robert Powell, submitted written comments for the record at the close of today's meeting.

The next WFLA Board meeting will be May 22 at the Community Room of the Oregon City Public Library.

WFLA Financial Policy and Procedure Manual

Outline of Topics and Status

Chapter 1 – Overview (Adopted Mar 2024)

- Purpose and organization of the manual
- Current limitations versus long-term practices. Need to update as organization grows.
- Roles

Chapter 2 – Budget (To be Reviewed May 2024)

Objectives

Section 1 – Budget Roles

Section 2 – Budget Preparation

Section 3 – Budget Approval, Adoption, and Adjustment

Section 4 – Contingency and Reserve Levels

Section 5 – Appropriation and Expenditure Control

Chapter 3 – Revenues and Receipts (Reviewed Apr 2024, to be Adopted May 2024)

Objectives

Section 1 Revenue Agreements

Section 2 Revenue Recognition and Recording

Section 3 Collection of Revenues Receivable

Section 4 Receipt and Deposit of Funds

Chapter 4 – Procurement and Contracting (Adopted Mar 2024)

Objectives

Section 1 Procurement and Contracting

Section 2 Delegation of Authority

Chapter 5 – Expenditures (Adopted Apr 2024)

Objectives

Section 1 Delegation of Authority

Section 2 Allowable methods of making expenditure

Section 3 Approval, Review and Recording of Expenditures

Section 4 Travel

Section 5 Non-travel meals

Chapter 6 – Banking and Cash Management (Reviewed Apr 2024, to be Adopted May 2024)

Objectives

Section 1 Delegation of Authority

Section 2 Banking Services

Section 3 Banking Fraud Protection requirements

Section 4 Cash Management

Chapter 7 –Financial Reporting (To be Reviewed May 2024)

Objectives

Section 1 Year end audit and reporting

Section 2 Interim reporting

Chapter 8 –Investment Policy (To be Reviewed May 2024)

Objectives

All Sections Investment Policy to meet Oregon Treasury Board requirements

Chapter 9 – Long-term Financial Sustainability (Dec 2024 – Apr 2025)

Objectives

Section 1 Define long-term for financial planning purposes

Section 2 Long-term financial planning model

Section 3 Authority goals for long-term financial outcomes

Chapter 10 – Fixed Assets and Infrastructure (Jan-May 2025)

Objectives

Section 1 Capitalization thresholds and useful lives of fixed assets

Section 2 Recognition of donated or contributed fixed assets of infrastructure

Section 3 Capital Asset replacement and/or maintenance funding

Section 4 Capitalization of intangible assets

Section 5 Disposition of Fixed Assets

Other topics: Sale of capital assets; subscription based technology

Chapter 11 – Debt Management (Mar-Jun 2025)

Section 1 Definitions and categories of debt

Section 2 Legal debt limits

Section 3 Financial Assessment prior to Debt Issuance

Section 4 Debt Issuance Practices

Section 5 Continuing Disclosure and Debt Management

Board Report – Adopt Chapters 3 and 6 of Financial Policies and Procedures Manual; Review Chapter 2, 7, and 8.

May 22, 2024

Summary

Staff is requesting the Board to approved the following chapter of the Financial Policies and Procedures Manual:

- Chapter 3 – Revenues and Receipts
- Chapter 6 – Banking and Cash Management

Staff is also requesting the Board review the following chapter of the Financial Policies and Procedures Manual for approval at a future meeting

- Chapter 2 – Budget
- Chapter 7 – Financial Reporting
- Chapter 8 – Investment Policy

Background

Beginning with the February 28, 2024 meeting, the Board has been reviewing and subsequently adopting individual chapters of the Fiscal Policies and Procedures Manual. To date, Chapters 1, 4 and 5 have been adopted. An updated Outline of the manual is attached which shows the status of each chapter.

As noted at the April 24, 2024 Board meeting Chapters 1 through 8 represent priority policies and procedures for the current operations. Chapters 9 through 11, while important, are more focused on future planning.

Proposal

Chapter 3 - Expenditures

Chapter 3 was presented for Board review at the April 24, 2024 meeting. Based on the Board input regarding Chapter 3, there were no changes made and the attached version of Chapter 3 is being presented for adoption:

Chapter 6 – Banking and Cash Management

Chapter 6 was also presented for Board review at the April 24, 2024 meeting. Based on the Board input regarding Chapter 6, the following changes made and are reflected in the attached redline version of Chapter 6, which is being presented for adoption:

- In Section 1, Delegation of Authority, the requirement for dual signatures on checks was eliminated and replaced with a requirement to inform the Board of check or payments made over \$2,500 that were not payments under a board approved contract.
- In Section 3, Banking Fraud Protection, additional language was added to the Procedures covering prevention of the use of email on other electronic communication to commit fraud.

Chapter 2 – Budget

Chapter 2 addresses the Budget Process, with the intent of ensuring compliance with Local Budget Law, while recognizing unique aspects of WFLA. Some of the specific objectives of this chapter include:

- Definition of budget roles, including the composition of the Budget Committee.
- Ensuring that the budget approval, adoption, and adjustment process meets requirements of Local Budget Law.
- Ensuring that the proposed budget meets the strategic objections of WFLA for the budget year, and accurately reflects resources and requirements.
- Establishes targets for Contingency and Reserves.
- Establishes appropriations and ensures that expenditures are within appropriations.

Chapter 7 – Financial Reporting

Chapter 7 addresses the Financial, with the intent of complying with legal and regulatory requirements for annual financial reports, and clarifying expectations for interim financial reporting. Some of the specific objectives of this chapter include:

- Ensuring that annual financial reporting and independent attestation of this reporting meets the legal and regulatory requirements for WFLA.
- Establishing the standardized interim financial reporting process, as well as creating a process for requesting non-standard reports.

Chapter 8 – Investment Policy

Chapter 8 is based on a model investment policy for local governments created by the Oregon State Treasurer’s office. It is intended to ensure compliance with investment rules contained in ORS 294. It is also intended to receive approval by the Oregon Short Term Fund Board when that becomes necessary. This chapter covers more than would be needed by WFLA at this time, but should cover most, if not all, future needs.

There is one question for discussion in this chapter:

- Maturities of investments can legally go out to 3 years, but if they are longer than 18 months the investment policy must be approved by the Oregon Short Term Fund Board.

As drafted the policy limits maturities to 18 months to avoid the approval requirement. This limit does not apply to investments of Capital Project or Debt Service funds which can go longer if tied to future expenditure needs.

Chapters 2, 7, and 8 are being presented only for review at this time, and based on Board input, will be brought back for adoption at a future meeting.

Requested Board Action

The Board Adopts Chapters 3 and 6 of the Financial Policies and Procedures Manual, and the Financial Policies contained therein.

WFLA Financial Policies and Procedures Manual

Chapter 2 – Budget

Objectives

The policies and procedures related to Budget are intended to:

- Establish roles in preparation, approval, and adoption of the Budget.
- Ensure budget process, including post-adoption changes, complies with Local Budget Law
- Ensure that budget reflects strategies and priorities of the Authority., both for the budget-year and long-term.
- Accurately estimate resources and balance expenditures against available resources.
- Establish targets for Contingency and Reserves.
- Establish appropriations and ensure expenditures are within appropriations.

Section 1 Budget Roles

Policies

By board action at the January 24, 2024 board meeting, the position of the Executive Director of WFLA was appointed as the Budget Officer for WFLA. The appointment is ongoing until rescinded or changed by the board. The appointment was made to the position of the Executive Director, so it will be assigned to whoever is filling that role. The Budget Officer will be responsible for developing a Budget Calendar and preparing the Proposed Budget.

As WFLA has no electors to draw budget committee members from, the Budget Committee will be comprised of board members, including non-voting board members, who volunteer to be assigned to the committee. The Board Treasurer will automatically be assigned to the Budget Committee. The number voting board members assigned to the Budget Committee will be kept below the number of board members that constitute a quorum of the board.

Procedures

The Budget Officer role has been assigned to the position of the Executive Director, and will be filled by whoever is serving in that role. If the Board wishes to change the appointment of the Budget Officer, it can do so by board action at a board meeting.

The board should begin no later than January soliciting volunteers from its membership (including non-voting board members) to serve on the budget committee. The Board Treasurer will automatically be assigned to the Budget Committee, and will serve as its Chair, unless the Budget Committee votes otherwise. The number of board members assigned to the budget committee should be kept below the number that would constitute a quorum of

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the board. If the board opts to include a number that constitutes a quorum, then all Budget Committee meetings are subject to public meeting rules including published notification.

Section 2 Budget Preparation

Policies

The WFLA budget will be prepared on the modified accrual basis of accounting, and will follow Oregon Local Budget Law, and Government Finance Officers Association best practices. The Budget will be prepared at the fund level; the General Fund (or the Enterprise Fund if so determined) will include all resources and expenditures for the ongoing governance, administration, and operations of WFLA. Resources and expenditures for large capital Improvement projects will be budgeted in a Capital Improvement Projects Fund. Other funds, such as Debt Service Funds, Special Revenue Funds, or Reserve Funds may be added as needed.

Initially the budget will not be broken into Organization Units as sub-categories of the funds, but this may be considered as operations become larger and more complex.

Budgeted resources will be estimated based on existing or likely revenue sources. Budgeted expenditures will be based on identified needs within the available resources. In the initial start-up years of WFLA (before moving to an ongoing operating model), the budget will include a multi-year projection to identify whether resources and expenditures are sustainable, or where shortfalls may exist.

Procedures

The Budget Officer will begin the budget process by developing a budget calendar for the upcoming budget year, and getting board approval of the budget calendar. This should generally be done no later than the January board meeting. The budget calendar will include dates of budget committee meetings, budget hearings, and publication dates. It should also include post-adoption notification requirement dates.

The Budget Officer will work with the Contract Financial Services Consultant and the Contract Accountant to begin preparation of the Budget. The preparation process will include, but is not limited to:

- Preparing an estimated of ending fund balance for the current fiscal year to use as the beginning balance for the budget.
- Estimating resources for the new budget year. This may include committed resources under existing funding agreements, as well as anticipated new resources. Care should be taken in budgeting anticipated new resources to avoid a budget shortfall should the resources not be realized; speculative resources should only be

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included in the budget if they are assigned to dedicated expenditures, or to contingency or unappropriated fund balance.

- Identifying necessary expenditures based on the operating plan for the budget year. Expenditures should cover all ongoing contractual commitments as well as any new activities anticipated. A best practice to consider is outlining the operating plan or priority objectives for the board prior to beginning the budget process.
- A multi-year projection (no less than three years, but up to five years) should be prepared and included in the proposed budget. The purpose of the multi-year projection is to ensure that the proposed budget reflects a fiscally sustainable operating plan. If the multi-year projection does not indicate a fiscally sustainable plan, then either the future resource changes should be identified or the budgeted expenditures should be reduced.
- The Budget Officer will prepare, and include in the Proposed Budget, a Budget Message. The budget message must:
 - Explain the budget document.
 - Include a brief description of the proposed financial policies for the coming fiscal year.
 - Describe the important features of the budget document in connection with the financial policies of the local government.
 - Explain the reason for changes from the previous year in appropriation and revenue items.
 - Explain the major changes in financial policy

The Proposed Budget will be organized by funds, and further detailed by categories of revenue and expense. The budget will not be broken down by Organization Units within Funds, until such time as the size and complexity of operations warrant this level of detail.

Section 3 Budget Approval, Adoption and Adjustment

Policies

The preparation, approval and adoption of the budget will comply with Local Budget Law, as contained in ORS 294.305 through ORS 294.565.

In accordance with Local Budget Law, the Budget Committee will hold at least one meeting, at which they will receive the budget message and the proposed budget document. Notice of this meeting must be published in accordance with Local Budget Law, and the public must be given an opportunity ask questions and comment on the proposed budget. The Budget Committee must approve the budget, whether as proposed or with changes approved by a majority of the Budget Committee.

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The WFLA Board will conduct a Budget Hearing to consider the budget approved by the Budget Committee. Notice of this meeting, along with a summary of the Approved Budget, must be published in accordance with Local Budget Law. At the hearing the public must again be given an opportunity to comment on the budget. At the conclusion of the Budget Hearing, or at a subsequent meeting, if necessary, the Board shall adopt the budget, whether as approved by the Budget Committee or with any changes approved by a majority of the board. Approval will be done through a Board Resolution approving the budget and establishing appropriations for the budget year.

Changes to the budget after adoption should be made only for items that were unforeseen or unknown at the time of the budget preparation. The process for the change will depend on the nature and size of the change:

- Budget transfers from one appropriation category to another, may be done by resolution at a regular board meeting; no special notice is required for this meeting. Transfers from contingency are limited to 15% of the amount originally appropriated in the budget; transfers of more than 15% constitute a supplemental budget.
- Appropriation of new resources, or of unappropriated fund balance, will require a supplemental budget. If the supplemental budget will adjust fund expenditures by 10% or less, the supplemental budget can be the WFLA Board. Notice of the proposed supplemental budget must be published in accordance with Oregon Budget Law.
- If a supplemental budget will adjust fund expenditures by more than 10%, or create a new fund or appropriation category, a new Budget Hearing is required, and notice of this hearing must be published in accordance with Local Budget Law.

Procedures

Procedures for approving, adopting and amending the budget will follow procedures specified in Oregon Local Budget Law (ORS 294.305 through ORS 294.565) and further described in the Oregon Local Budgeting Manual published by the Oregon Department of Revenue (150-504-420).

The Budget Committee meeting publication requirement will be met by publishing once in a newspaper and once online on the WFLA webpage. The newspaper publication must be no less than five days, and no more than 30 days before the meeting. The online notice must be posted on the web page at least 10 days before the meeting.

Work sessions of the Budget Committee may be held prior to the presentation of the proposed budget to gather committee member input on items to include in the budget. Such meetings do not require public notice or opportunity for public input (as long as the Budget Committee does not constitute a quorum of the board).

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Section 4 Contingency and Reserve Levels

Policies

The Proposed Budget should include an adequate operating contingency to cover unanticipated expenditures, or to offset revenue shortfalls. The minimum level of contingency is 10% of a fund's total expenditures.

The target for contingency is 15% of a fund's total expenditures; for purposes of the target the fund's total expenditures include contingency. This is set at the maximum level of contingency that can be transferred without a supplemental budget.

Reserves for Future Expenditures will be established and included in a fund's budget as conditions warrant. Possible uses for Reserves for Future Expenditures include:

- Operating Reserves in excess of Contingency
- Capital Reserves for future capital needs
- Debt Service Reserves for future payment of debt.

Procedures

In preparing the Proposed Budget, the Budget Officer will include a Contingency in the General (or Enterprise) fund of at least 10% of that fund's expenditures. If available resources and expenditure requirements do not provide for a 10% contingency in a given budget, the multi-year projection must show how contingency balance can be restored to the 10% floor.

The target contingency balance is 15% of a fund's expenditures, where the expenditures include contingency. To make this calculation the contingency amount will equal the total expenditures not including contingency, multiplied by 0.15 and divided by 0.85. This contingency target is the maximum amount that can be transferred from contingency to another appropriation without a supplemental budget.

Reserves will be established and included in the budget as they become appropriate given the nature of operations.

Any resources not appropriated as expenditures, contingency, or reserve, will be assigned to unappropriated ending fund balance.

Section 5 Appropriations and Expenditure Control

Policies

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The board resolution adopting budget will also establish appropriations, which create the legal authority to expend funds in the budget year. At this time appropriations will be made at the fund level and not further broken down to Organization Units.

Within the fund level, appropriations will be made at the Object Classification level. Object Classifications currently used in the WFLA Budget are:

- Materials and Services
- Contingency
- Unappropriated Ending Fund Balance

Other Object Classifications that may be used in the future include:

- Personnel Services
- Capital Outlay
- Debt Service
- Interfund Transfers
- Reserve for Future Expenditures

The appropriations to the fund and object classification represent the legally authorized expenditure levels for the budget year and cannot be exceeded without a budget transfer or a supplemental budget. Expenditures cannot be charged directly to Contingency, and Contingency must be transferred to another appropriation classification to be used.

While the budget detail and the financial tracking and reporting will be maintained at a more detailed Object Line-Item level, these do not represent legal appropriation restrictions. As such expenditures for an individual object line-item may exceed the budget for that line-item, so long as total expenditures for the object classification do not exceed the budget.

Procedures

The budget detail will include a budget for individual object line items that will sum to a total for each object classification. For example, the object classification Materials and Services may include multiple line items such as Contract Management, Audit Professional Services, and Supplies. The individual line items will provide adequate detail to determine the amount needed for the object classification total. The actual appropriations, however, will be made at the fund and object classification Level; i.e. for all Materials and Services rather than for each line item.

The monthly financial reports will include information at the object line-item level. Expenditures for a line item in excess of the budget amount do not represent an over-expenditure of appropriations as long as the expenditures for the total object classification remain within budget. However, over-expenditures at the line-item level should still be analyzed to determine if there budgetary or expenditure issue.

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When operations grow to a point where budgeting by Organization Unit becomes necessary, the appropriations will be made at the Organization Unity level rather than by Object Classification.

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Chapter 3 – Revenues and Receipts

Objectives

The policies and procedures related to Revenues and Receipts are intended to:

- Ensure that revenues are billed timely based on the underlying agreements.
- Ensure that revenues are properly recorded consistent with revenue recognition principles on the accrual basis of accounting.
- Ensure that billed revenues are timely collected, and that uncollected revenues are followed up on and appropriately resolved.
- Establish adequate internal controls to safeguard revenues received.

Section 1 Revenue Agreements

Policies

Revenue agreements, which are primarily for interagency support of the authority during the start-up phase, will be drafted as necessary to access committed funds from supporting agencies. These agreements may be executed by the Executive Director, unless they contain commitments by the Authority beyond existing capacity (i.e. insurance requirements beyond current policy limits). If the agreements do contain such commitments, they may be executed by the Board President or the Board Treasurer.

The Executive Director will ensure that necessary agreements are originated, negotiated and executed in sufficient time to maintain adequate cash flows for the Authority.

Procedures

The Executive Director will determine a supporting-agency's requirements for a revenue agreement and will initiate the process of developing one:

- If the supporting agency intends to use their own version of the revenue agreement, or a version created by them, the Executive Director will review the agreement and determine whether legal review, or board review, is required.
- If the supporting agency prefers for the authority to create the revenue agreement, the Executive Director will work with legal counsel to develop such an agreement, preferably from a standardized boiler plate agreement.

The revenue agreement should contain adequate detail of the time period covered by the agreement (i.e. a payment covering a fiscal year commitment), or any deliverables required by the Authority, to allow for proper determination of revenue recognition timing. If

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possible, funding agreements should provide payment terms of no more than 60 days from receipt of billing, and provide for interest on uncollected amounts beyond the payment terms of the agreement.

Section 2 Revenue Recognition and Recording

Policies

Revenue will be recognized and recorded as an accounts receivable under the in accordance with generally accepted accounting principles (GAAP) on the accrual basis of accounting:

- If no performance is required from the authority to funder, then revenue will be recognized upon the latter of the execution of the funding agreement or the initiation of the period covered by the funding agreement.
- If performance is required from the authority, then the revenue will be recognized upon satisfaction of the performance.

Revenue will be recognized in the accounting system through creation of a billing invoice and the recording of the corresponding accounts receivable. Billings will be generated and recorded no later than 30 days after the appropriate revenue recognition timing. Revenue will be classified to the correct object code when recorded.

Procedures

Executed revenue agreements will be provided by the Executive Director to both the Contract Accountant and the Contract Financial Services Consultant. The three parties will confer on the timing of the revenue recognition and the Contract Accountant will record the revenue as an accounts receivable at the appropriate time. Once recorded, a billing invoice will be created and sent to the supporting agency by the Executive Director; per policy this will be done no later than 30 days from the recording of the revenue, although in practice it should be done within a matter of days.

If performance is required by the Authority under the revenue agreement the Executive Director will notify the Contract Accountant when the performance is satisfied so that the revenue can recorded and the billing generated. The Contract Accountant will classify the revenue into the appropriate revenue object code; if the proper classification is not obvious, they will confer with the Executive Director and the Contract Financial Services Consultant.

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Section 3 Collection of Revenues Receivable

Policies

Billed revenue will be monitored no less frequently than monthly to ensure that accounts receivable is being collected in a timely manner. An aged listing of accounts receivable shall be provided to the Board of Directors monthly as part of their financial reports.

Monthly reminder notices will be sent monthly to agencies who have not paid the Authority in accordance with the terms of their funding agreements.

The listing of uncollected accounts receivable will be reviewed no less frequently than annually, to determine if any accounts receivable are uncollectible and should be written off. The Board will be informed of deemed uncollectible accounts before they are written off.

Procedures

The Executive Director and the Contract Accountant will monitor accounts receivables to determine accounts that are beyond the payment terms specified in their funding agreements. The Executive Director will contact these agencies to determine anticipated payment timing. The Contract Accountant will prepare an aged accounts receivable listing as part of the monthly financial reports presented to the Board.

The Contract Accountant will prepare and send monthly accounts receivable statements and reminder notices for any agency who has not paid their contribution to the authority in accordance with the terms of the funding agreement. Copies of these statements and reminder notices will be sent to the Executive Director.

No less frequently than annually at each fiscal year-end, the Executive Director will review the uncollected accounts receivable balances and make a determination as to the collectability of the receivable. In making this determination the Executive Director should consider the age of the receivable, communications with the funding agency on their intent and ability to pay the receivable, and any other relevant information. If a receivable is determined to be uncollectible, the Executive Director will inform the Board of the intent to write off the receivable and then notify the Contract Accountant to write off the amount as bad debt expense. If collectability is uncertain, the Executive Director may also opt to establish a reserve for uncollectible receivables in lieu of writing off the entire amount.

Section 4 Receipt and Deposit of Funds

Policies

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To best safeguard collected funds, the preferred method of payment will be through electronic transfer such as ACH or EFT.

Where payments are received in the form of a check, the check will be sent to the Executive Director, who will be responsible for depositing the check in a timely manner and for recording the payment in the accounts receivable ledger. The Executive Director will keep any undeposited checks in a secured location.

If a payment is only a partial payment against the accounts receivable, the payment will be first applied to interest on the outstanding balance, if any, and then applied to the balance of the receivable itself. A new billing statement showing the remaining balance will be generated and sent to the payor.

Procedures

In drafting Funding Agreements, the Executive Director will promote the use of electronic transfers for receiving payments from supporting agencies, and will provide necessary banking and routing information necessary to support such transfers. The Contract Accountant, or the Executive Director, will monitor banking activity and timely record electronic transfer payments against the appropriate accounts receivable.

If payments are received in the form of a check, the check will be received by the Executive Director. The Executive Director will either record the payment in the accounts receivable ledger or notify the Contract Accountant of the payment and request them to record it in the accounts receivable ledger. The recording or the notification should be completed by the end of the next business day after receipt of the payment.

The Executive Director will keep checks received in a locked safe until they can be deposited at the bank. Checks will be deposited no less frequently than weekly.

If payments received are for less than the entire amount due, the Contract Accountant will record the payment first against any interest owed on the outstanding balance, and then against billed amounts due. If there are multiple outstanding billings, the payments will be applied to the oldest balances first. Upon receipt of a partial payment, the Contract Accountant will prepare and send a new billing statement showing the remaining balance due; a copy will be sent to the Executive Director.

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Chapter 6 – Banking and Cash Management

Objectives

The policies and procedures related to Banking and Cash Management are intended to:

- Delegate authority for accessing bank account information and initiating banking transactions.
- Ensure that funds held at banks are adequately safeguarded from loss.
- Ensure that banking practices provide adequate protection from fraud.
- Control transaction costs of banking activity

For purposes of this Chapter, the term bank, banks, or banking shall include credit unions as well as banks.

Section 1 Delegation of Authority

Policies

The opening of a bank account must be approved by the Board President and the Board Treasurer.

The Board President, Board Treasurer, and Executive Director are authorized to have signature authority for signing of checks, or initiating any other form of banking transaction. Authorization of any other individual will require specific board approval. The Board President, Board Treasurer, and Executive Director are authorized to access accounts online with the ability to initiate online transactions. Additional access without the ability to initiate online transactions (read-only access) will be provided to others as necessary for recording or transactions and reconciling bank accounts.

Check signing and initiation of electronic payments will follow the delegation of authority limits in Chapter 5, Expenditures. The Board will be informed of checks or electronic payments over \$2,500 that are not payments under a board approved contract.

~~Checks over _____ will require dual signatures. Any other online expenditure over _____ will require confirmation of approval by a second party before being processed. (Note: we need board input on this to ensure that the amount is not too low and becomes an administrative burden. An alternative to dual signature is periodic reporting to the Executive Committee, or the full Board of checks issued.)~~

Procedures

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The Executive Director may open a new bank account with written approval, including by email, by the Board President and the Board Treasurer.

Signature cards for all bank accounts will be obtained for the specified account signers. Upon the resignation or termination of an approved signer, new signature cards must be obtained as soon as possible removing the former approved signer. This will be the responsibility of the Executive Director, unless the Executive Director is being removed, in which case it will be the responsibility of the Board Treasurer. This must be done whether a replacement signer has been identified or not.

Consistent with delegation of authority in Chapter 5, Expenditures, the Executive Director may sign checks or initiate electronic payments for amounts up to \$2,500. Payments over \$2,500 must be signed or initiated by the Board President or the Treasurer. A list of checks signed or electronic payments initiated that exceed \$2,500 will be provided to the full board no less frequently than monthly.

~~Checks over \$_____ will require dual signatures. Where dual signatures cannot be reasonably obtained in time for a payment to be made, secondary approval by email or other writer approval will suffice.~~

Online banking access with the ability to initiate or approve transactions will be limited to the authorized signers on an account. Online read-only access may be provided as needed to the contracted Accountant, Financial Services Consultant and Auditor. This online read-only access may also be used to link bank accounts to the Online accounting software.

Section 2 Banking Services

Policies

Banking services shall be solicited on a competitive basis no less frequently than every five years. To be eligible for consideration a bank or credit union must be recognized by the Oregon State Treasurer as a qualified depository for deposit of public funds. Other minimum criteria will include:

- Be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA).
- Be able to facilitate transfers to and from the Local Government Investment Pool (LGIP).
- Provide annual audited financial statements

Procedures

The Executive Director will monitor the timeline for soliciting banking services and initiate a request for proposals (RFP) for banking services; this must be done in time to comply with

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the five-year interval requirement. The Executive Director, Board President and Board Treasurer can mutually agree to initiate a banking services RFP at any time prior to the five-year interval if deemed appropriate for any reason.

The selection criteria for the banking services RFP must include but is not limited to the criteria above. Other criteria should include, at a minimum:

- The fees for banking services
- The security protocols for online access and banking activity
- Available fraud prevention measures such as positive pay

Section 3 Banking Fraud Protection

Policies

Where available, all reasonable fraud preventions measures offered by the bank should be implemented by the Authority. The intent of the fraud prevention measures is to ensure the security of funds deposited at the bank, and to prevent unauthorized or fraudulent transactions from accessing these funds.

Bank accounts will be reconciled monthly.

Procedures

Examples of banking fraud prevention measures that should be implemented include:

- Use of multi-factor authentication for on-line account access, and periodic expiration of passwords.
- Timely removal of on-line account access upon resignation or termination of authorized accessors.
- Use of electronic payment instead of checks where possible
- Implementation of Positive Pay (pre-authorizing check payments with the bank to avoid check washing or counterfeit checks). Where Positive Pay is not available checks should be filled out by gel pen, and hand delivered instead of mailed where possible.

Individuals with access to bank accounts should also be alert to other means of fraudulent access, such as “phishing” attempts. Practices to follow to prevent this are:

- Never respond to an unknown email or follow a web link in an unsolicited email.
- Independently verify a web address or phone number provided in an email, before using them to provide information.

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- Be aware of attempts to “spoof” a known individual, and confirm any requests for payment or account access through a phone call, a text, or an independently generated email. Do not reply to the emailed request or the texted request.
- Hover over email senders to determine whether an email address is legitimate for the sender.

The contracted Accountant will reconcile all bank accounts monthly. The bank account reconciliations will be provided to the Executive Director and the Board Treasurer. They will also be provided to any other Board member upon request.

Section 4 Cash Management

Policies

Funds deposited at a banking must either be within the federally insured (FDIC or NCUA) amounts or be adequately collateralized by the bank under the Oregon State Treasurer Public Funds Collateralization Program.

Large balances of cash on deposit at a bank must be routinely monitored, and where feasible, transferred from the bank into approved investments in accordance with the Investment Policy contained in Chapter 8. A cash flow projection will be maintained to guide maturities of investments and eliminate risk of loss due to early termination of investments.

Procedures

The Executive Director and the contract Accountant will monitor banking activity to ensure that balances in bank accounts are kept at reasonable balances. They will initiate transfers to investments periodically as necessary to ensure that bank account balances are adequate to meet expenditure needs, but not so large create undue risk or lost opportunity for investment income. If Authority participation on the Local Government Investment Pool (LGIP) is approved, funds may be transferred here while other investments are considered. Where possible unusually large receipts, that would create a risk of loss in the bank accounts, should be deposited directly into the LGIP account.

The Executive Director will ensure that a cash flow projection is prepared at least annually, generally shortly after the budget approval, to help guide cash balances as well as investment maturities.

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Chapter 7 – Financial Reporting

Objectives

The policies and procedures related to Financial Reporting are intended to:

- Ensure compliance with legal and regulatory requirements regarding annual financial reporting and independent attestation of the annual financial statements.
- Establish requirements for interim financial reporting to the board, both standard reports that will be provided for monthly board meetings, and other reports that may be requested by the board.

Section 1 Annual Financial Reporting

Policies

In accordance with ORS 196.240 the Authority will:

- Submit to periodic audits by the Secretary of State.
- No less than annually, retain a public accounting firm to examine and attest to the financial operations of the Authority.
- Not later than April 15 of each year, file an annual report with the Governor and a committee or interim committee of the Legislative Assembly related to economic development. The report shall describe the activities and operations of the authority during the preceding calendar year. The results of the examination and attestation of the financial operations of the Authority shall also be included in this report.

The annual financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. The financial statements and note disclosures will be based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations.

The public accounting firm engaged to examine and attest to the financial operations will be competitively procured to ensure open competition, and may be engaged for multiple years. To ensure compliance with GASB reporting requirements, the procurement will be limited to firms on the Oregon Municipal Roster maintained by the Oregon Board of Accountancy.

Procedures

An independent public accounting firm will be engaged to conduct the attest engagement of the year-end financial statements before year-end, and ideally 2-3 months before year-end. The firm will be selected through an informal request for proposal process. The review committee will include at least one board member (preferably the Board Treasurer). Once a firm is selected they will be engaged for multiple years, but not more than five years. A

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competitive process will be conducted no less frequently than every five years, unless waived by the board.

The Contract Accountant will work with the Executive Director and the Contract Finance Specialist to complete all necessary accounting for the year end. The target for completion will be August 15 following the year end.

The Contract Accountant and the Contract Finance Specialist will provide draft financial statements and supporting schedules to the public accounting firm as requested, and will work with the firm to complete the full financial report, including notes to the financial statements, supporting schedules, and management discussion and analysis. The target for completion of the attestation and preparation of the annual financial reports will be December 31 following the year-end. The full financial report, including the report by the independent public accounting firm will be approved by the Board prior to distribution.

Section 2 Interim Financial Reporting

Policies

The Board will receive, as part of their monthly meeting materials, a statement of year-to-date revenues and expense, compared against the annual budget. To allow time to capture all activity for a month, the report provided at each board meeting will be for the month two months prior to the month of the meeting.

Other automated reports that are readily available within the financial system will be provided to the board upon request by the board. These reports include:

- Statement of revenues and expenses for a single month
- Statement of revenues and expenses by class
- Aged balance of accounts receivable or accounts payable
- Checking account register
- Statement of assets and liabilities (balance sheet)

Procedures

The financial system for the Authority will be maintained under the following hierarchy, which is designed to comply with GASB reporting requirements and Oregon Local Budget Law:

- Fund (such as General Fund, or Capital Projects Fund)
- Organization Unit or Class (such as administration or operations).
- Account

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A custom report will be created and maintained within QuickBooks for the standard monthly board report. This report will capture actual revenue and expenses for each account through the month of the report on an accrual basis of accounting, and compare these to the total budget for the accounts.

This report will be completed by the Contract Accountant after the close of the month subsequent to the month of the report (i.e. the July report will be completed after the end of August and provided for the September Board meeting). This is to ensure time for all accrued activity to be captured and included in the correct monthly financial report.

Other financial reports can be prepared using the menu of reports in QuickBooks

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Chapter 8 – Investment Policy

Objectives

The policies and procedures related to Investments are intended to:

- Conform to Oregon Revised Statutes and applicable federal law, which includes the requirement for approval of this policy by the Oregon Short Term Fund Board.
- Meet the objectives of investment activities, which, in priority order, are:
 - Ensure the preservation of capital in the overall portfolio, and mitigate credit risk and interest rate risk.
 - Ensure that the investment portfolio remain sufficiently liquid to meet all reasonably anticipated operating and capital requirements, and structured so that investments mature concurrent with anticipated demands.
 - Be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles.
- Establish standards of care, which include prudence, ethics and conflicts of interest, and delegation of authority and responsibility.
- Define roles and responsibilities of the Transaction Counterparties, Investment Advisers, and Depositories.
- Establish suitable and authorized investments, and investment parameters. This includes investment of specific fund types, such as proceeds of debt issuance, or reserve or capital improvement funds
- Establish guideline measurement and adherence standards, and reporting and disclosure requirements.

Due to the unique statutory requirements of the investment policy, this chapter will not be broken down between policies and procedures, but will be adopted in the entirety as policies.

Section 1 Standards of Care

Policies

1.1 Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

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The "prudent person" standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

1.2 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the [Local Government]. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244

1.3 Delegation of Authority and Responsibilities

i. Governing Body

The WFLA Board will retain ultimate fiduciary responsibility for invested funds. The governing body will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.155.

ii. Delegation of Authority

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to the Executive Director, hereinafter referred to as Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

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iii. Investment Committee

The WFLA Board may seek to establish an investment committee to provide guidance to the Investment Officer(s) and monitor investment policy compliance.

iv. Investment Municipal Adviser

The Investment Officer may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. Investment advisers may be hired on a non-discretionary basis. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer and compliant with this Investment Policy. If WFLA hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of WFLA.

Section 2 Transaction Counterparties, Investment Adviser and Depositories Policies

2.1 Brokers/Dealers

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives.

The following minimum criteria must be met prior to authorizing investment transactions. The Investment Officer may impose more stringent criteria.

- i. Broker/Dealer firms must meet the following minimum criteria:
 - A. Be registered with the Securities and Exchange Commission (SEC)
 - B. Be registered with the Financial Industry Regulatory Authority (FINRA)
 - C. Provide most recent audited financials
 - D. Provide FINRA Focus Report filings
- ii. Approved broker/dealer employees who execute transactions with WFLA must meet the following minimum criteria:
 - A. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
 - B. Be licensed by the state of Oregon;
 - C. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.

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- iii. The Investment Officer may establish best practices for engaging broker/dealer firms and registered representatives that are more restrictive than stated in this policy. Such additional requisites or due diligence items may include:
 - A. Positive references from at least three other local government clients.
 - B. As part of the periodic due diligence review, inquiries with other local government clients with regard to their recent experiences with broker/dealer firms or registered representatives and any change in relationship status.
 - C. Requirement that approved registered representatives provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
 - D. Requirement that prospective registered representatives have an established history of advising local governments with similar amounts of assets under management.

- iv. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:
 - A. Pending investigations by securities regulators
 - B. Significant changes in net capital
 - C. Pending customer arbitration cases
 - D. Regulatory enforcement actions.

2.2 Direct Issuers

Obligations that are permitted for purchase by this policy may be purchased directly from the issuer.

2.3 Investment Advisers

A list will be maintained of approved advisers selected by conducting a process of due diligence.

- i. The following items are required for all approved Investment Advisers:
 - A. The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon (Note: Investment adviser firms with assets under management > \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon).
 - B. All investment adviser firm representatives conducting investment transactions on behalf of WFLA must be registered representatives with FINRA.
 - C. All investment adviser firm representatives conducting investment transactions on behalf of WFLA must be licensed by the state of Oregon.

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- D. Certification, by all of the adviser representatives conducting investment transactions on behalf of this entity, of having read, understood and agreed to comply with this investment policy.
- ii. A periodic (at least annual) review of all investment advisers under contract will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. Factors to consider would be:
 - A. Pending customer arbitration cases
 - B. Regulatory enforcement actions
 - C. Significant decline in assets under management
- iii. The Investment Officer may establish best practices for engaging investment advisers' services that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
 - A. Positive references from at least three other local government clients of a prospective investment adviser firm.
 - B. As part of the periodic due diligence review, inquiries with other local government clients of approved investment advisers with regard to their recent experiences with the adviser and any change in the relationship status.
 - C. Requirement that approved investment advisers provide notification within 30 days of a relationship termination by an Oregon based local government.
 - D. Requirement that approved investment adviser provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
 - E. Requirement that prospective investment advisers have an established history of advising local governments with similar amounts of assets under management.

2.4 Depositories

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

2.4 Competitive Transactions

- i. The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

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- ii. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.
- iii. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. However, the Investment Officer is encouraged to document quotations on comparable securities.
- iv. If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

Section 3 Administration and Operations

Policies

3.1 Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in the WFLA's safekeeping institution prior to the release of funds.

3.2 Third-Party Safekeeping

Securities will be held by an independent third-party safekeeping institution selected by the WFLA. All securities will be evidenced by safekeeping receipts in the WFLA name. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

3.4 Internal Controls

The investment officer and the WFLA Board are jointly responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of this Investment policy and, protected from loss, theft or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated periodically by the WFLA Board.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points at a minimum:

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- i. Compliance with Investment Policy
- ii. Control of collusion
- iii. Separation of transaction authority from accounting and record keeping
- iv. Custodial safekeeping
- v. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
- vi. Clear delegation of authority to subordinate staff members
- vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
- viii. Dual authorizations of wire and automated clearing house (ACH)
- ix. Review, maintenance and monitoring of security procedures both manual and automated

Section 4 Suitable and Authorized Investments

Policies

4.1 Permitted Investments

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810. (Note: Permitted investments may be more restrictive than ORS 294.035 and 294.810).

- US Treasury Obligations: U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest.
- US Agency Obligations: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE).
- Oregon Short Term Fund
- Corporate Indebtedness
 1. Commercial Paper issued under the authority of section 3(a)2 or 3(a)3 of the Securities Act of 1933.
 2. Corporate Bonds
- Repurchase Agreements
- Municipal Debt • Bankers Acceptances
- Qualified Institution Time Deposits/Savings Accounts/Certificates of Deposit

4.2 Approval of Permitted Investments'

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Policy has been amended and the amended version adopted by WFLA.

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4.3 Prohibited Investments

i. Private Placement or "144A" Securities

Private placement or "144A" securities are not allowed. For purposes of the policy, SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.

ii. US Agency Mortgage-backed Securities

US agency mortgage-backed securities such as those securities issued by FNMA and FHLMC are not allowed.

iii. Securities Lending

WFLA shall not lend securities nor directly participate in a securities lending program.

4.4 Demand Deposits and Time Deposits

- i. All demand deposits and time deposits (Examples of time deposits are: certificates of deposit and savings accounts) shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.
- ii. Demand deposits in qualified depository institutions are considered cash vehicles and not investments and are therefore outside the scope and restrictions of this policy. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit and savings accounts are considered investments and within the scope of this policy.

4.5 Repurchase Agreements

- i. ORS 294.035 (3)(j) requires repurchase agreement collateral to be limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short Term Fund Board.
- ii. ORS 294.135 (2) limits the maximum term of any repurchase agreement to 90 days.
- iii. The OSTF Board has adopted the following margins:
 - A. US Treasury Securities: 102%
 - B. US Agency Discount and Coupon Securities: 102%
 - C. Mortgage Backed and Other*: 103%

*Limited to those securities described in ORS 294.035(1)

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Section 5 Investment Parameters

Policies

5.1 Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

i. Diversification

It is the policy of WFLA to diversify its investments. Where appropriate, exposures will be limited by security type; maturity; issuance, issuer, and security type, Allowed security types and Investment exposure limitations are detailed in the table below.

ii. Recognized Credit Ratings

Investments must have a rating from at least [one/two] of the following nationally recognized statistical ratings organizations (NRSRO): Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

iii. Portfolio Average Credit Rating

The minimum weighted average credit rating of the portfolio’s rated investments shall be Aa/AA/AA by Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service, respectively.

iv. Exposure Constraints and Minimum Investment Credit Ratings

The following table limits exposures among investments permitted by this policy.

Issue Type	Maximum % of Holdings	Minimum Ratings Moodys/S&P/Fitch
US Treasury Obligations	100%	None
US Agency Securities	100%	-
Per Agency (Senior Obligations only)	25%	-
Oregon Short Term Fund (LGIP)	Maximum allowed per ORS 294.810	-
Bankers Acceptances	10% ⁽¹⁾	A1+/P1/F1+
Time Deposits/Savings	50%	-
Accounts/Certificates of Deposit ⁽²⁾		
Per Institution	25%	-
Repurchase Agreements	5%	-
Corporate Debt (Total)	20% ⁽³⁾	
Corporate Commercial Paper	20% ⁽³⁾	
Per Issuer	5% ⁽⁴⁾	A1/P1/F1
Corporate Bonds	20% ⁽³⁾	
Per Issuer	5% ⁽⁴⁾	Aa/AA/AA

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Municipal Debt (Total)	25%	-
Municipal Commercial Paper	25%	A1/P1/F1
Municipal Bonds	25%	Aa/AA/AA

(1) 25% Maximum per ORS 294.035(D)

(2) As authorized by ORS 294.035(3)(d)

(3) 35% Maximum per ORS 294.035(D)

(4) 5% Maximum per ORS 294.035(D)

v. Determining a Security's Rating

A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor's, Moody's Investor Services and Fitch Ratings, respectively. Corporate indebtedness must be rated on the settlement date by at least one of the three nationally statistical rating organizations (NRSROs), i.e., Moody's, S&P or Fitch, respectively, as follows: If short-term commercial paper, P-1, A-1 or F1; if corporate bonds, Aa3, AA- or AA-.

vi. Restriction on Issuers

With Prior Default History Per ORS 294.040, the bonds of issuers 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, city, school district, or special district for a period of five years next preceding the date of the investment.

5.2 Liquidity Risk

Liquidity risk is the risk that an investment may not be easily marketable or redeemable, as well as a shortfall of operating cash resulting in the need to sell securities and, thus, principal risk. The following strategies will be employed to mitigate liquidity risks:

- i. The value of the greater of at least 25% of funds available for investing or twelve months of budgeted operating expenditures will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than 60 days to provide sufficient liquidity for expected disbursements.
- ii. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

Total Portfolio Maturity Constraints

Maturity Constraints	Minimum % of Total Portfolio
Under 60 days	Greater of 25% or twelve months Estimated Operating Expenditures
Under 1 year	65%
Under 18 months	100%

Note - the longest category can legally go to three years but this will require this policy to be approved by the Oregon Short Term Fund Board.

- iii. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.
- iv. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.
- v. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance.

5.3 Interest Rate Risk

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

- i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
- ii. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate reinvestment risk.
- iii. No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.
- iv. The maximum percent of callable securities in the portfolio shall be 20%.
- v. The maximum stated final maturity of individual securities in the portfolio shall be 1.5 years from its settlement date, except as otherwise stated in this policy.
- vi. The maximum portfolio average maturity (measured with stated final maturity) shall be 1.5 years.

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5.4 Environmental, Social and Governance Factors

The integration of ESG factors into the investment decision-making framework assists in the assessment of near-term and long-term risks associated with our investments, thus providing beneficial impact to performance. To the extent consistent with our fiduciary responsibility, we also seek to understand what effects our investments may have and identify ways we can enhance the positive impact of our investments and help mitigate the negative impact.

Section 6 Investment of Specific Fund Types

Policies

6.1 Investment of Proceeds from Debt Issuance

- i. Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.
- ii. Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints within section 5.2.

6.2 Investment of Reserve or Capital Improvement Funds

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints within section 5.2.

Section 7 Guideline Measurement and Adherence

Policies

7.1 Guideline Measurement

Guideline measurements will use par value of investments.

7.2 Guideline Compliance

- i. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring

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- the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
- ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the WFLA Board (or the Investment Committee if one has been established).
 - iii. 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. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

Section 8 Reporting and Disclosure

Policies

8.1 Compliance

The Investment Officer shall prepare a report at least quarterly that allows the WFLA Board (or the Investment Committee if one has been established) to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment oversight body. The report will include, at a minimum, the following:

- i. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- ii. Average maturity of the portfolio at period-end
- iii. Maturity distribution of the portfolio at period-end
- iv. Average portfolio credit quality of the portfolio at period-end
- v. Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio
- vi. Distribution by type of investment
- vii. Transactions since last report
- viii. Distribution of transactions among financial counterparties such as broker/dealers
- ix. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

8.2 Performance Standards/Evaluation

At least annually, the Investment Officer shall report comparisons of investment returns to relevant alternative investments and comparative Bond Indexes. The performance of

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the portfolio should be compared to the performance of alternative investments such as available certificates of deposit; the Oregon Short Term Fund; US Treasury rates; or against one or bond indices with a similar risk profile (e.g., Bond indexes comprised high grade investments and maximum maturities of three years).

When comparing performance, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

8.3 Marking to Market

The market value of the portfolio shall be calculated at least semi-annually and a statement of the market value of the portfolio shall be issued at least annually.

Section 9 Policy Maintenance and Considerations

Policies

9.1 Review

The investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

The annual report should also serve as a venue to suggest policies and improvements to the investment program, and shall include an investment plan for the coming year.

9.2 Exemptions

Any investment held prior to the adoption of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested as provided by this policy

9.3 Policy Adoption and Amendments

This investment policy and any modifications to this policy must be formally approved in writing by the Board (or the Investment Committee if one has been established) of WFLA.

This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

- i. This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the WFLA Board (or the Investment Committee if one has been established), the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)).

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- ii. And either:
 - A. This policy has never been submitted to the OSTF Board for comment; **OR**
 - B. Material changes have been made since the last review by the OSTF Board.

Regardless of whether this policy is submitted to the OSTF Board for comment, this policy shall be re-submitted not less than annually to WFLA Board (or the Investment Committee if one has been established) for approval.

Board Report – Appoint Auditor

May 22, 2024

Summary

Staff is requesting the Board to appoint Talbot Korvola and Warwick (TKW) as the public accounting firm to examine and attest to the financial operations for the Authority, and authorize the Executive Director to execute and agreement for attestation services for a period of three to five years.

Background

The statutes creating WFLA include a requirement to have an annual attestation conducted by a public accounting firm. Specifically ORS 196.24 (1) states:

The Willamette Falls Locks Authority shall submit to periodic audits by the Secretary of State. The authority shall, no less than annually, retain a public accounting firm to examine and attest to the financial operations of the authority. The authority shall include the results of any public accounting in the annual report submitted to the Legislative Assembly under subsection (2) of this section.

To comply with this requirement a request for proposal (RFP) for audit services was issued January 31, 2024. Given the unique nature of WFLA, several firms were contacted to inquire if they would like to receive the RFP and would be likely to propose. Based on these inquiries the RFP was sent to two firms that expressed interest.

The due date for proposals was February 28, 2024, and one proposal was received from TKW. Despite only one proposal being received, a proposal review committee reviewed the proposal and assessed the elements of the proposal as qualified or not qualified. The TKW proposal was assessed as qualified on all elements.

The RFP stated that the appointment of the auditor would be for multiple years and anticipated a three-to-five-year agreement for services.

The fees for an audit, per the proposal, were \$25,000 for the FY 23/24 audit and \$27,500 for the FY 24/25 audit. The fees for the FY 25/26 audit and beyond will be negotiated in future years based on the level of fiscal activity and complexity in those years.

Given the proposed cost of an audit, the requirement under 196.24(1) was reconsidered and determined to be met by an “Agreed-Upon Procedures” (AUP) attestation engagement, which is a lower level than an audit. Legal counsel for the Authority was consulted and agreed with this interpretation. While a AUP engagement will suffice for at least the June 30, 2024 year, an audit may be necessary in future years. TKW has agreed to conduct a AUP engagement in lieu of an

audit, and estimates their fees for this type of engagement will be between \$10,000 and \$15,000.

Proposal.

Staff is requesting that the Board of Directors accept the proposal from TKW and appoint them as the public accounting firm for WFLA. TKW has submitted a qualified proposal to provide these services. This proposal included a resume of TKW's work with audits of public sector organizations, which is extensive.

Consistent with the terms of the RFP, staff is recommending that the appointment be for an initial period of three years, with the option for a two-year extension for a maximum of five years.

Specifically TKW will be engaged to conduct an AUP attestation engagement for FY 23/24, for estimated fees of \$10,000 to \$15,000.

Requested Board Action

Appoint Talbot Korvola and Warwick, LLP as the public accounting firm for the Willamette Falls Locks Authority and authorize the Executive Director to enter into an agreement for attestation services for a period of three years, with the option for a two-year extension.