

**PORTLAND PUBLIC SCHOOLS**  
**OFFICE OF DEPUTY SUPERINTENDENT**  
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Telephone: (503) 916-3380

Date: **APRIL 2020**

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The COVID-19 health crisis has caused a huge disruption in the capital markets. The Federal Reserve and US Treasury have taken unprecedented steps to provide liquidity to the market. In spite of these extraordinary efforts, the crisis has continued to have a devastating impact on security prices and returns. US Treasury securities are now yielding negative returns out to one-year maturities. This means if the District purchases one of those lowest risk securities, the district will receive less at maturity than was originally invested.

**RELATED POLICIES/BEST PRACTICES**

Board Policy 8.20.010-P: Cash Management

**ANALYSIS OF SITUATION**

Investing in US Treasury Securities in the current market would contradict the overall objective of Board Policy 8.20.010-P: Cash Management:

“Safety of principal is the primary concern of investors depositing in any one banking institution to 10% of the total portfolio. Under normal market conditions that percentage restriction is prudent, as it allows the District to maintain a diversified portfolio and limits PPS’ exposure at any one institution.

In abnormal markets like these, bank money market deposits provide safety of principal. It should be noted that all such deposits are governed by state laws that require banks to collateralize any balances above those covered by FDIC insurance with the State. The State also approves the banks that are permitted to hold public fund balances.

The Finance leadership of the district request the Board grant a 120-day temporary suspension to Board Policy 8.20.10-P, Section VII (2), which limits deposits to 10% of the portfolio in any one banking institution. This will allow the District’s Treasury Department greater flexibility in managing excess cash and avoid investments that will not return a positive yield. It is the hope that a 120-day temporary suspension will allow for market stabilization, at which time the Treasury

Department will be able to bring the district's investments back in line with the limits outlined in Board Policy 8.20.10-P.

PPS currently has three banks with money market accounts holding significant balances: JPMorgan Chase, Umpqua and Washington Federal. As of March 31, 2020, each of these banking institutions held approximately 9% of the overall portfolio. The District also has a fourth money market account with Willamette Community Credit Union; however, Willamette is constrained on how much additional funds they could hold. If the proceeds from the Series 2020 bond sale (approximately \$441 million) were split evenly amongst the three larger banks, their percentage holdings of the District's overall portfolio would rise from 9% to approximately 18% each.

#### FISCAL IMPACT

Suspension of Section VII (2) would allow for interest earnings. If the suspension were not allowed, the district would have a negative return on investments.

#### COMMUNITY ENGAGEMENT (IF APPLICABLE)

N/A

#### TIMELINE FOR IMPLEMENTATION / EVALUATION

Effective immediately upon approval of the resolution by the board of directors.

#### BOARD OPTIONS WITH ANALYSIS

The Board may keep the



# BOARD POLICY CASH MANAGEMENT

8.20.010P

## I. Scope and Pooling of Funds

This cash management policy applies to all cash activities and funds under the control of Multnomah County School District No. 1J (the District). This policy applies to the investment of operating funds, capital funds including bond proceeds, and bond reserve funds held by Portland Public Schools. This policy excludes petty cash activities.

The average size of the District's investment portfolio approximates \$175,000,000, with an approximate seasonal high and low of \$325,000,000 and \$30,000,000 respectively. Average ranges do not include proceeds of General Long-Term Obligation Bonds, notes etc., if any.

## II. General Objectives

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# BOARD POLICY CASH MANAGEMENT

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## (b) Interest Rate Risk

The District will minimize the risk of market value decline by:

- x Structuring the investment portfolio so that maturing securities meet cash requirements for ongoing operations and/or capital projects, thereby avoiding the need to sell securities on the open market prior to maturity.
- x Investing operating funds primarily in shorter-term securities or short-term investment pools.

## 2. Liquidity

The investment





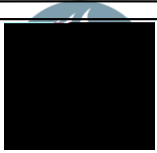












BOARD POLICY  
CASH MANAGEMENT

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## 5. Securities Lending and Reverse Repurchase Agreements

The District shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

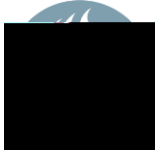
## 6. Bids and Offers

Before any security purchase or sale is initiated, the Investment Officer shall determine the appropriateness of seeking competitive bids or offers. Information about current market interest rate levels can be obtained from various sources, including investment dealers, financial websites and publications, and other sources. Factors to consider include where the securities are held, the size of the transaction, and the term to maturity.

In the event competitive bids or offers are not considered, the decision not to do so shall be documented. When required by applicable tax laws or bond covenants, competitive bids and offers shall be sought for security purchases and sales of bond funds.

## VIII. Reporting

### 1. Methods



BOARD POLICY  
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## 3. Payments.

All payments shall be made when approved and due, but not before they are due. Cash discounts will be analyzed to determine the cost/benefit of payment terms in relation to investment opportunities. No payments of any kind will be made from un-deposited cash.

## 4. Commitments.

Purchase commitments shall be made so that the time between receipt of items and service



# BOARD POLICY CASH MANAGEMENT

8.20.010P

History: Amended 01/12/2016; 3/2018; 1/2019

Legal References:

OR Chapters 244, 294 and 295

RESOLUTION No. 6094

Resolution to Waive the Cash Management Policy 8.20.010-P

RECITALS

1. Portland Public Schools (PPS) is required by statute to obtain an annual audit of the District's accounts and fiscal affairs. PPS contracts with an independent auditing firm for these services.
2. The COVID-19 health crisis has caused a huge disruption in the capital markets. The Federal Reserve and US Treasury have taken unprecedented steps to provide liquidity to the market. In spite of these extraordinary efforts, the crisis has continued to have a devastating impact on security prices and returns. US Treasury securities are now yielding negative returns out to one-year maturities. This means if the District purchases one of those lowest risk securities, the district will receive less at maturity than was originally invested.
3. Investing in US Treasury Securities in the current market would contradict the overall objective of Board Policy 8.20.010-P: Cash Management:
4. "Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio."
5. Policy 8.20.10-P also restricts the amount that can be invested or deposited in any one banking institution to 10% of the total portfolio.
6. The Finance leadership of the district requests the Board grant a 120-day temporary suspension to Board Policy 8.20.10-P, Section VII (2), which limits deposits to 10% of the portfolio in any one banking institution. This will allow the District's Treasury Department greater flexibility in managing excess cash and avoid investments that will not return a positive yield.

RESOLVED

Effective April 7, 2020, the Portland Public Schools Board of Education hereby authorizes a waiver of Section VII (2) of Board Policy 8.20.10-P: Cash Management for 120 days, and allows up to 25% of the district's investment portfolio in a single banking institution.