



STATE OF OREGON
OREGON STATE TREASURY
159 STATE CAPITOL, 900 COURT ST NE
SALEM, OREGON 97301-4043

January 25, 2016

The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

During Legislative Days in November 2015, the Oregon State Treasury submitted a report in response to the Budget Note contained in SB 5501. The Joint Interim Committee on Ways and Means accepted the report, and asked that the Oregon State Treasury return during January Legislative Days to present an update on the status of establishing a local government intermediate term investment pool. Treasury asked for additional time to complete further work, and now submits the following update.

Agency Action

Treasury is in the process of working with one of its current contractors to establish a local government intermediate term pool, which will be available to interested local governments. The pool will be similar to the Oregon Intermediate Term Pool ("OITP"), which currently serves state agencies. The contractor which currently serves as the custodian bank and record-keeper for OITP has been identified as the preferred vendor for assisting Treasury in establishing this pool. Treasury has begun negotiations with this provider, and we anticipate that we will be prepared to present the outcome of these negotiations during the February Legislative Session.

During November Legislative Days, when Treasury last presented a report to the Interim Joint Committee on Ways and Means, members of the General Government Subcommittee expressed a desire to see the pool set up quickly and in a cost-effective manner. Subsequent to those discussions, Treasury conducted further work to determine whether we could separate investment and administrative functions, and whether doing so would achieve cost savings. Our current negotiations regarding pricing and service options reflect the findings from this work.

Critical for the success of the program is to properly identify Local Government needs within an intermediate term pool. Importantly, Treasury has a different legal relationship with local governments than it does with other state agencies. In the case of a local government intermediate term pool, Treasury is like any outside contractor to local government participants. Treasury's role in establishing an intermediate term pool is to provide a cost-effective alternative to the other investment options already available to local governments. It is our belief that by leveraging our experience and existing relationship with an outside contractor, we will be able to provide an attractive investment opportunity for local governments.

Treasury is currently in the process of reaching out directly to local governments that have expressed an interest in participating in the program. Because the number of participants and the total assets under management (AUM) will have a significant impact on investment opportunities and pricing, we will need a more accurate estimate of immediate levels of participation.

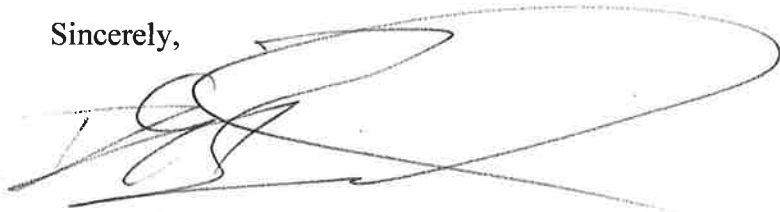
Action Requested

Oregon State Treasury respectfully requests acknowledgement of receipt of the report.

Legislation Affected

None.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Darren Q. Bond', is written over a horizontal line.

Darren Q. Bond
Deputy State Treasurer