OGFOA Update

Winter 2017

Inside

OGFOA Update is published by the Oregon Government Finance Officers Association.

Inquiries

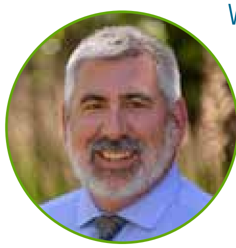
OGFOA 503/601-2777
6745 SW Hampton St.
Suite 101
Portland, OR 97223

OGFOA Newsletter Editor

Jennifer Cuellar, Columbia County
jennifer.cuellar@co.columbia.or.us

A Message From the President

By Don Hudson



Wow, where did the time go?!? It's hard to believe that we are at the end of January and the holidays just flew right by. Since we last spoke, we have experienced an awesome Fall Conference, a crazy election season, a couple December snow storms, the holiday season, and more snow storms in January. In the middle of that, I had an unexpected surgery that kept me off the streets for a large chunk of this time. Needless to say, I am ready for some normalcy in my life.

Speaking of normalcy, registration for the 2017 Spring Conference is open. This year's conference will be held at Salishan Spa and Golf Resort in Gleneden Beach, starting on Sunday, March 5th and ending on Wednesday, March 8th. Once again, the Education Committee has put together an outstanding set of break out sessions and educational opportunities. The theme for the conference is "Taking the Mystery Out of Finance" and there will be some mysterious fun involved with it, so you won't want to miss out. We have invited Dr. Moore back to follow up on his election predictions from the Fall Conference and try to explain the mysteries of the election outcomes. Overall, an event you won't want to miss, so register now.

As I have mentioned in previous messages and newsletter articles, the OGFOA Board is constantly reviewing conference locations that fit our organization. We also look for opportunities to save on our conference costs, while providing a top notch educational and networking experience for attendees and vendors. We review the conference surveys for conference session ideas, as well as overall experience. There are a number of factors that go into these discussions and a lot of discussion goes into our decisions. For a number of years, we have alternated between Salishan and Sunriver for the Spring Conference. Last year, we were presented with an offer from Sunriver to freeze some costs, in exchange for a two year contract. We determined it was in the member's best interest to take advantage of this offer. This allows us to spend budget dollars on the educational portion of the conference, instead of on facility costs. Therefore, you will notice that the 2018 and 2019 Spring Conferences will be held in Sunriver.

Additionally, the survey results from the Fall Conference at the Salem Convention Center were extremely positive. Attendees had positive things to say about everything from the food to the spaciousness of the rooms at the Convention Center. Therefore, it is highly likely that we will be returning to Salem for the 2018 Fall Conference (we will be at the Doubletree Lloyd Center in October 2017). While this is exciting news for many people, we do know that some people that

continued on next page

A Message From The President - continued from page 1

are typically at the Fall Conference were not in attendance in Salem. We would like to know more about why you didn't attend, so please contact Misty or myself, if you didn't attend and would like to share your reasons with us.

The Board will continue to analyze our options for both the Fall and Spring Conference locations and make decisions based upon what facilities and locations can accommodate our needs and provide for the best educational and networking opportunities for our members.

I have thoroughly enjoyed my year as your President and am looking forward to working with Tod Burton and the rest of the OGFOA Board to continue to make our organization the best around. I hope to see you at Salishan.

Don Hudson
OGFOA President

2017 OGFOA Annual Spring Conference

March 5-8, 2017 - Salishan Golf & Spa Resort - Gleneden Beach

Registration and Welcoming Orientation for New Members

You have joined OGFOA with goals in mind and we want you to help you achieve them. Please pick up your registration materials and join us for an informal welcome session:
Sunday March 5th at 4:30pm in the Salal Room (Conference Registration Desk)

OGFOA Board members, administrative staff and colleagues from the membership committee will be there. This event will give you a head start on enhancing the professional network you need to be successful in your job. Even if you are not a new member and would like a refresher on your membership benefits, feel free to join us!

Conference Accommodations:

Salishan rooms are booked but group rates at the **Inn at Spanish Head** are available.

For reservations call 800-452- 8127. Please reference OGFOA to take advantage of the special group rate.

Bedroom: $129
Studio: $139
Suite: $209

(rates are exclusive of tax, currently 11.3%)

Quote of the Quarter

"Not everything that is faced can be changed, but nothing can be changed until it is faced."

James Baldwin

Leading from the Finance Department

By Kevin Knutson, Regional Vice President, Management Partners

In many local governments, finance officers are seen as cautious and deliberate stewards of the jurisdiction's financial resources, charged with balancing the books and paying the bills. If they are involved in planning and strategy, it's often at the end of the process, to determine whether the government can afford a proposed initiative.

This role is central to the smooth functioning of a local government, but finance officers have much more to offer. Budget and finance directors who are involved in planning and strategy can shape expectations and identify opportunities early on, when there is plenty of time to make a difference. They can set the foundation for strategic planning process through fiscal analysis and long-term financial planning. But doing that requires different skills, including creative thinking, long-range planning and solid communication skills.

For finance professionals who want to build leadership skills and gain influence, here are some ideas for getting started:

- Try to see yourself the way others see you. Colleagues will take their cues from your behavior: an accessible, approachable person will encourage others to do their best, while they will actively avoid someone who appears aloof or only speaks up to say "No."
- Find out what people in other departments are working on and offer to help. Invite colleagues out for coffee to learn what they're excited about and ask to help in their big-picture planning and strategy sessions. Talk about how a partnership can make the local government run in a high-quality way.
- Set aside regular time to think about the big picture. Where do you want your own department to be six months from now? Five years? How does that fit with the community's larger vision? Figure out what's holding it back and brainstorm strategies to move it toward your vision.
- Communicate your vision for the finance role in running local government. Make sure people understand you want to guarantee there are enough resources to fulfill the public's priorities.

As you're building your leadership qualities, don't forget the management functions. It's the combination of both skill sets that will best help your organization and you personally:

- As you and others are generating great ideas, follow them with the business processes needed to bring them to life. Marry vision and execution by including everyone in both processes.
- Find a few people on your team who are in a position to give you honest assessments. Avoid those who are consistently negative, but find colleagues who can give an honest appraisal so you're sure to consider all angles.
- Use flexible systems such as performance management, long-term financial planning and five-year forecasts or models to bring to life the vision that officials develop.

Whatever your instincts are, you'll be most effective if you let them shine and also push yourself to develop the areas that don't come naturally. By improving traditional skills and updating the role to include more strategy and vision, finance and budget directors will help their organizations and themselves to be successful.

Kevin Knutson is regional vice president for Management Partners, a consulting firm that helps local governments improve their operations. He has more than 24 years of experience in local government, is recognized as a Credentialed manager by ICMA and is a graduate of the Advanced Government Finance Institute and Harvard's Senior Executives in State & Local Government Program.

Bond Yields Rebound

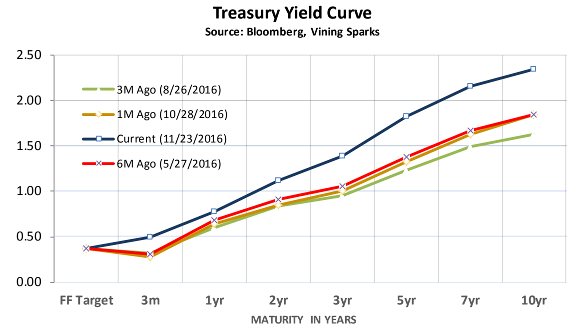
By Michael S. Erhardt, Senior Vice President in the Strategic Solutions Group of Vining Sparks, and Josh Gorham, Vice President, Oregon Public Funds

During the first half of the year we observed the collapse of bond yields around the globe, which certainly provided a challenging investing environment for portfolio managers. The 10-year Treasury declined from 2.27% at year-end 2015 and hit an all-time intraday low of 1.32% on the third trading day in July. It later closed at an all-time low of 1.36% just two days later. More recently, the unexpected Presidential election results caused an immediate sell-off in the fixed income market. Bonds sold off at a blistering pace as investors became concerned about potentially higher inflation levels. During the seven trading days following the election (November 9-18), the 10-year Treasury yield increased 46 bps. The 2-year through 7-year portion of the curve steepened sharply, with 2-year Treasury yields moving 20 bps higher and 7-year yields surging 49 bps higher.

Investment Alternatives
Indicative Yields and Spreads

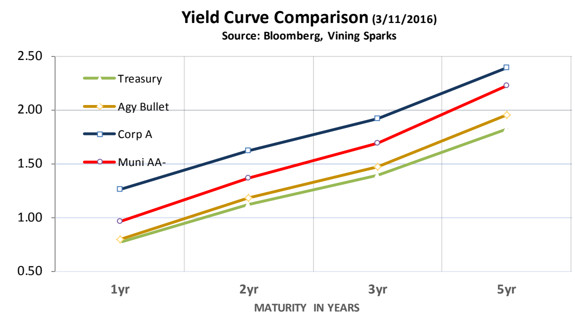
	5/27/2016	*8/26/2016*	*10/28/2016*	*11/23/2016*
Sector	**6m Ago**	**3m Ago**	**1m Ago**	**Current**
Treasuries (Yields)				
1 Year Treasury	0.65	0.60	0.64	0.77
2 Year Treasury	0.88	0.84	0.86	1.12
3 Year Treasury	1.03	0.96	1.00	1.39
5 Year Treasury	1.36	1.23	1.33	1.83
Agency Bullets (Spreads)				
1 Year Bullet	5	3	3	3
2 Year Bullet	6	10	5	6
3 Year Bullet	6	12	10	8
5 Year Bullet	14	13	15	13
Callable Agencies (Spreads)				
2 YR NC 1YR	12	14	7	2
3 YR NC 1YR	22	26	14	7
5 YR NC 1YR	30	32	19	12
Corporates (Spreads)				
1 Year "A" Rated	37	35	46	49
2 Year "A" Rated	47	42	50	50
3 Year "A" Rated	61	52	58	53
5 Year "A" Rated	72	62	65	57
Tax Municipals (Spreads)				
1 Year "AA-" Rated	20	20	20	20
2 Year "AA-" Rated	30	25	25	25
3 Year "AA-" Rated	40	30	30	30
5 Year "AA-" Rated	50	40	40	40

The selling pressure in bonds reflects a greater uncertainty premium being priced into the market. Uncertainty has largely been driven by inflation fears, which have increased based upon President-elect Trump's fiscal stimulus and spending plans. Presumably, tax cuts and faster spending on infrastructure projects would boost growth, inflation, and trigger faster rate hikes by the Fed. Equities have been influenced by optimism that the next administration can provide regulatory relief, repatriate overseas money, repeal and replace the Affordable Care Act, and negotiate better trade deals.



The recent trend of higher rates and the steepening yield curve has been warmly received by portfolio managers, many of whom have spent most of 2016 facing declining interest rates and few attractively priced investment options. Investors can now achieve their yield targets with shorter maturity structures because of the decline in bond prices. For instance, just one month ago (late Oct), a 5-year Agency bullet was priced to yield 1.48% to maturity. Currently (late Nov), a 3-year Agency bullet will provide a yield of 1.47% until maturity.

The bond market sell-off has resulted in mixed performance among the various sectors, with most sectors experiencing a contraction in yield spreads to Treasuries. Spreads have remained relatively stable on Agency bullets compared to Treasuries, while spreads have tightened on callable Agencies. Because of this reduction in spread and the associated narrowing of compensation available to an investor for taking on optionality, we believe Agency bullets offer more relative value compared to Agency callables.



Although there is low supply of available bonds in the taxable municipal market, spreads have remained stable over the past six months. As a result, this sector remains compelling from a relative value standpoint, as other sectors have experienced spread contraction. As a reminder, Oregon may only invest in AA rated taxable municipal bonds issued by OR, WA, ID, and CA. Finally, yield spreads for high quality corporates (A rated) have tightened since the election, but like taxable municipals, remain a compelling investment choice compared to other sections.

INVESTMENT STRATEGY DEVELOPMENT FOR LIQUIDITY AND INVESTMENT CORE FUNDS

by Deanne Woodring, CFA and Dave Westcott, CFA, both of Government Portfolio Advisors

Liquidity funds are short term investible assets that need to be available for near term liabilities. Investors typically invest their incoming revenues into the liabilities coming due over the next few months, which leaves little room for strategic input such as duration management or yield curve considerations. The investment decision is usually made by choosing the highest yielding investment that most closely matches the due date of the next near term liability that needs to be funded. That decision might be just to leave funds in the State Pool. Public fund investors may improve upon this traditional liquidity management process by taking a more comprehensive approach, which can help take advantage of the shape of the yield curve.

Many public fund investments are divided into liquidity funds, which are designed to meet short term liabilities, and core investment funds (Core Fund) which are designed to capture higher returns that are often available further out on the yield curve due to a longer investment horizon. The investment horizon of the Core Fund is typically maintained at a weighted average duration between one and two years, however, individual investments may have longer maturities of five to ten years. The longer maturities are only appropriate if liquidity requirements are met through a liquidity component which typically consists of the OST pool, bank deposits and cash matched investments. The Core Fund typically has higher returns than the Liquidity Fund due to the risk premium investor's price into longer dated maturities. This positive shape of longer dated securities discounts higher yields in the future and helps protect investors from the negative price impact of higher yields.

Listed below are the total returns for funds that are invested in 90 day treasury bills versus the 0-3 year treasury benchmark/0-5 year treasury benchmark for the last ten years. As you can see from the return data below, by extending your average maturities out to a weighted maturity of 18 months or 48 months (the average maturity for the 0-3 year/0-5 year treasury indices respectively) , you can capture added earnings versus shorter maturities. Investors that have longer dated Core Funds have captured even higher returns over the last one, three, five, and ten year periods. (Note: total return calculations reflect interest earnings and principal fair value changes, whereas the OSTF Pool is interest only and does not reflect the NAV.) This analysis is done on US Treasuries only to provide guidance for maturity structure. Additional earnings can be added through the addition of Agency and Corporate securities.

HISTORICAL COMPARISON OF EARNINGS FOR VARIOUS TREARSURY MATURITY SECTORS

	One year	Three year	Five year	Ten year
3 month Treasury bill annualized returns	.31%	.13%	.11%	.85%
0-3 year Treasury index annualized returns	.64 %	.50%	.46%	1.80%
Difference in returns	+33 bps	+37 bps	+35 bps	+95 bps
	One year	**Three year**	**Five year**	**Ten year**
3 month Treasury bill annualized returns	.31%	.13%	.11%	.85%
0-5 year Treasury index annualized returns	.76 %	.77%	.69%	3.38%
Difference in returns	+45 bps	+64 bps	+58 bps	+253 bps

Bloomberg: BofA Merrill Lynch Index Returns as of November 28, 2016. Source: Bloomberg IND

continued on next page

Estimated added value over the past 5 years for each $10,000,000 invested in portfolios replicating the indices versus the 3 month bill:

0-3 year investment structure is 35 basis points x 5 years = $175,000
0-5 year investment structure is 58 basis points x 5 years = $290,000

Disclaimer: Historical returns do the guarantee or represent future returns.

Oregon Short Term Fund Pool

The OSTF Pool provides an attractive yield for liquidity funds. The pool has a higher credit profile than US Treasuries as it is typically holding 50% in corporate bonds. The earnings rates received by participants does not include NAV market value changes due to the fact that it pays at $1.00.

	One year	Three year	Five year	Ten year
OSTF Pool	.84%	.63%	.60%	1.39%

The positive returns of longer dated treasuries to shorter dated treasuries over long investment horizons are largely due to the benefits of investing into a positively shaped yield curve. If you could move some of your Liquidity Fund investments into the Core Fund you should be able to capture some of these higher returns available in longer dated issues. How do you structure your portfolio to do this while not sacrificing your need to meet short term liabilities? The answer lies in incorporating longer term investment strategies into a three year budgeting cycle.

Higher earnings are not achieved without higher risk. That is why it is important when investing in a Core Fund structure, to incorporate a risk management process. Establishing market benchmarks, such as the BofA Merrill 0-3 or 0-5 treasury indices provides for accountability to this risk through the process of comparing the duration/average maturity of the Core Fund to the appropriate benchmark.

Most public entities have a relatively consistent budgetary cycle with funds coming in during predictable times (property tax receipts for counties or tuition revenues for universities). Many liabilities are also fairly predictable from year to year. Liabilities such as payrolls and debt service are consistent and known within a small margin of error for several years out. By using this knowledge of somewhat predictable cash flows and cash disbursements you can create a plan that can take advantage of the higher returns available in longer dated securities.

INCORPORATING A THREE YEAR BUDGETARY PLAN INTO YOUR INVESTMENT STRATEGY

Investors should start by identifying all of their known cash flows and liabilities that are certain over the next three years. These amounts do not have to be identified down to the last dollar and a conservative estimate is all that is needed. Once you know you have certain liabilities out longer than one year you can invest liquidity funds today to meet those longer liabilities. Instead of investing to meet a 90 day known liability you can invest to also meet the known liability in one year and 90 days and two years and 90 days. The yields available to meet these longer dated liabilities will be higher than those available for shorter dated liabilities and will also have yields that have already discounted a rise in yields over the next few years.

This investment strategy will reduce the amount of money you would normally fund in the Liquidity Fund next year to meet your shorter liabilities. By funding longer known liabilities you will be investing in higher yields due to longer maturities but will also provide for a potentially longer Core Fund. Additionally, you can use known cash flows that are longer than one year to consider when investing new money into the Core Fund. For example, if property taxes are due in November and you expect a considerable inflow of funds during that month you should exclude November in future investments. There is little need to fund a month with an investment maturity when you are already planning for large cash inflows during that time.

By overlaying your three year budgetary expectations over your three year investment plan you should be able to shift considerable funds from your Liquidity Fund into your Core Fund. This can be done while continuing to meet the requirements of liquidity (paying the bills) while extending your average

continued on next page

maturities into the higher returning Core Fund. As more known liabilities are cash matched with investments you may also consider a longer Core Fund due to more certainty in your investment horizon.

Always remember that meeting your liquidity requirements is the most important function of any public entity investment officer. You don't have to look at each fiscal year individually but can take advantage of a positive sloped yield curve by taking a more comprehensive view of longer term budgetary cycles with longer term investment strategies.

Authors: Deanne Woodring, CFA and Dave Westcott, CFA - Government Portfolio Advisors (GPA)
The team of advisors at GPA have provided investment advisory services to public funds for the past 30 years. Their focus is on developing and implementing strategic investment advice for liquidity and core investments for public funds. Deanne has served on the GFOA Treasury and Management committee, is a GFOA National Trainer and currently serves on the Oregon Short Term Fund Board.

Resources: GFOA Treasury Management Committee Best Practice- Diversifying the Investment Portfolio

Disclaimer: This material is based on information obtained from sources generally believed to be reliable and available to the public; however, GPA cannot guarantee its accuracy, completeness or suitability. This material is for purposes of observations and oversight and is the opinion of the authors. Past performance does not necessarily reflect and is not a guarantee of future results. The information contained in this article is not an offer to purchase or sell any securities.

Women in Public Finance

Women in Public Finance ("WPF") is a professional networking organization for women in the public finance industry. A Pacific Northwest chapter (Oregon and Washington) of WPF has been formed, and we are looking for women and men to become members and get involved in WPF committees (http://pnwwpf.com/board/committees/) and chapter leadership.

wpf™
WOMEN IN PUBLIC FINANCE
PACIFIC NORTHWEST CHAPTER

The mission of the Pacific Northwest Chapter of Women in Public Finance is to strengthen the current and future generations of women in the public finance industry, to create women leaders within the public finance industry and within our communities, to create a forum in which to interact with other public finance professionals, to foster education and exchange of ideas and information in the industry, and to raise awareness of the industry throughout the region.

The purposes of the Pacific Northwest Chapter include:

- To broaden opportunities for women in public finance generally and particularly in Oregon and Washington;
- To provide educational and networking opportunities to women in the public finance community through such things as seminars, panel discussions and informal events;
- To facilitate and sponsor communication and coordination among local groups of women in the public finance industry; and
- To facilitate the development of careers for women in public finance through establishing mentoring programs and providing guidance to mentoring relationships.

Membership is only $25/year for participants from the public sector and students, and $75/year for other (private sector) professionals. http://pnwwpf.com/membership/join-today/#join. WPF participants include state and local government issuers, not-for-profit issuers, investment bankers, attorneys, financial advisors, rating agency analysts, bond insurers, and trust officers among others.

For more information, please visit our website at www.pnwwpf.com, e-mail us at info@pnwwpf.com, or contact Christine Reynolds at cereynolds@orrick.com. We are working on forming committees for event planning, and anticipate holding an event in connection with the Spring OGFOA conference.

Submitted by: Christine Reynolds, a Partner with Orrick, Herrington & Sutcliffe LLP. Christine serves as Vice-President – Membership for the Pacific Northwest Chapter of Women in Public Finance. She is an active associate member of OGFOA and previously served on the OGFOA Board.

OGFOA FALL CONFERENCE RECAP

By Dean Baugh, OGFOA Conference Co-Chair

Another conference has come and gone and all I can say is "WOW!" If you were unable to attend the conference held at the Salem convention center, you missed a great opportunity to network with the vendors, sponsors, and your peers in municipal finance.

The Conference and Educational Committees did a great job providing a wide range of educational options, with a total of 54 CPE credits available to choose from. The Hospitality Committee was there to meet attendees at the registration desk and welcome the first-time attenders and new members. Of course, who could forget the sponsors and exhibitors who, by their participation and support, help make the conference possible. And then there is Western Advocates' Misty and Kelly - what more can I say, they were there to make sure everything ran smoothly.

The opening general session presenter, Jennifer Bouman-Steagall with Red Kite Rising, spoke on "Fostering Understanding through Communication". She pointed out that many of the misunderstandings, hurt feelings, or perceptions of unfair treatment around our offices could be minimized with better communication techniques. As supervisors we need to communicate in a way that shows we respect and value our employees' opinions.

Our speaker for lunch on Monday was Eva LaBonte, Washington County, who spoke on "Generations in the Workplace". Did you know you could have as many as 5 generations in your workplace? They go from "what can they do for the employer" to "what can the employer do for me". You, as a manager, need to know the different generations of the employees you have in your area. Don't think you need to treat them all the same - that's old fashion thinking. Each generation has a different way of being motivated. It is your job as a manager to know what makes your employees click. This information will help you get the most out of your team while avoiding conflict and increasing the office morale. (By the way, lunch was awesome.)

Tuesday morning, we brought back the "Economic Panel of Super Stars". They shared with us everything we need to know about the current economic climate in Oregon. To learn more about the interesting facts this panel shared with us, go to the OGFOA website under 'Documents'; all the charts and graphs are there for your review.

Tuesday's lunch presenter was the GFOA President Marc Gonzales, Clackamas County, Oregon. We want to thank Marc for speaking and allowing us to go with him on his trek through the Rockies. Great slideshow.

We ended the conference with two great sessions. Dr. Jim Moore provided insight into the upcoming election. He spoke on everything from the presidential election, state elections, and various ballot measures and what they could mean for Oregon. As always Dr. Moore provided some interesting insights into the world of politics.

Our concluding presentation was by the lobbyist from Special Districts Association, Mark Landauer, Oregon School Board Association, Jim Green, and League of Oregon Cities, Tracy Rutten. They provided advice on making presentations in Salem, how to review and provide input on legislation, and how to write an effective bill. They spoke about the upcoming legislative proposals and how we can help. One thing they emphasized was if they call you during the session to ask a question about a bill, please get back to them quickly as they may be on a tight time frame to respond to the legislators.

Session materials from the Fall Conference can be found on the OGFOA website under the 'Members Only' section along with other great resources. (Another reason to become a member.)

I want to encourage everyone to get involved, get on a committee, join the Board, write a newsletter article on a topic you want to share, or volunteer to be a session presenter. All of these opportunities are great ways to network with other attendees, and by being involved you will get more out of your OGFOA membership.

Now that the FY audit is almost put to bed and you are starting to think about the FY18 budget preparation schedule, don't forget to put the Spring 2017 OGFOA conference, to be held March 5-8 at Salishan Lodge, on your calendar. The Conference and Education Committees are already planning another great conference.

See you at Salishan.

What is a Risk Assessment and Why Would my Organization Need One?

By Anne Nottingham, TKW

All organizations face some level of risk. The County Health Department must ensure that private health information collected from individuals is not compromised. School districts must also maintain and protect their facilities to keep students and staff safe from building hazards and from the threat of violence. Cities must have policies and procedures in place to provide effective services and public safety.

Risks within a city, county, school district, or special district can be found in leadership, administration, operations, finances, and in the physical layout of its facilities. Risks can also emanate from external sources. While the Finance Director may know the financial risks related to the organization, he or she may have no knowledge of other potential issues in other departments or programs.

All governmental entities that spend money collected from citizens via taxes or fees have a duty to be good stewards of public resources. It is their responsibility to ensure that resources are spent in the most cost effective, efficient manner possible. To do so, leaders must anticipate risks associated with the organization and compensate with policies, procedures, and internal controls to mitigate the identified risks.

An agency-wide risk assessment is an evaluation and estimation of the level of risk involved in all aspects of a city, county, school district, etc. The assessment compares the agency's operations with industry best practices, applicable rules and regulations, policies and procedures, and other standards, depending upon the areas being evaluated. It provides an opportunity to discover and address the most vulnerable areas in a proactive, strategic manner.

Risks identified may be program specific, such as grant compliance within the Finance Department, or may be agency-wide, such as succession or business continuity planning. Each risk is evaluated individually and collectively to provide a comprehensive look at the city, county, or district, and to help leadership identify priorities and strategies in the context of available resources. Priorities can be assigned based on the relative impacts of each risk (or group of risks) on the organization, resources available, political environment, and other practical considerations.

Risks assessments examine inherent risks and the controls that have been put into place to mitigate those risks. An inherent risk is the probability of loss or negative consequence arising out of circumstance or existing in an environment, absent any action to control or modify the circumstance. Inherent risks may include any of the following:

- Inability to complete a key task or activity in a timely manner
- Potential to exceed established budget
- Potential to waste dollars
- Non-compliance with established rules, regulations, and laws
- Diminished public perception
- Personal injury
- Poor quality of work

Risk mitigation is a systematic reduction in the extent of exposure to a risk and/or likelihood of its occurrence. Effective controls help mitigate inherent risks, and may include:

- Identifying an established and experienced owner of the process or area being examined,

continued on next page

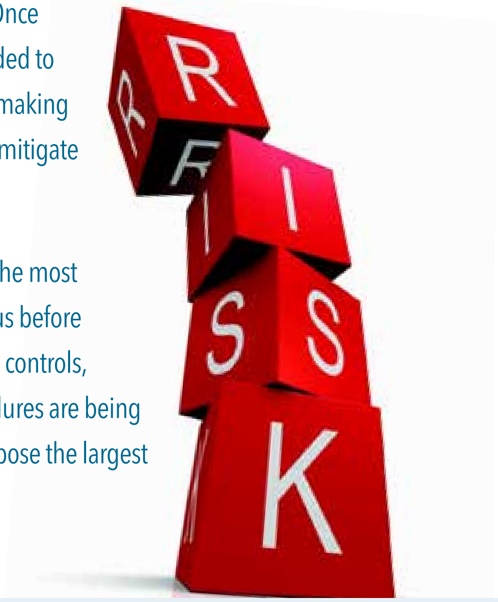
- The maturity of the process (i.e. lessons learned, policies and procedures in place, experience),
- Level of process implementation (i.e. following established policies and procedures, historical knowledge),
- Whether external monitoring occurs (i.e. external auditor, granting or regulatory agency),
- Existence of internal quality assurance or quality control (i.e. management/leadership oversight)
- Availability of appropriate resources (i.e. staffing levels, budget, equipment)

The first step in conducting an agency-wide risk assessment is to identify areas, departments, functions, or programs to be examined. Interviews of key personnel within each area and a high-level review of available documentation takes place. Surveys or group meetings may also occur to ensure that more people can provide input relating to risk areas. Risk areas agency wide, as well as within departments/programs, are discussed with key personnel to identify issues and problems that could occur if controls were not put into place. Wherever controls or procedures have been implemented to mitigate identified risks, those controls are factored into the assessment as well.

Any areas that rise to a level of concern are documented and rated using a scoring matrix. The scores fall within one of the following categories:

- Low – Management has established best practices that are monitored and updated. Integrated and updated technology and tools are used, allowing for critical assessment of controls and rapid detection/correction of issues. Knowledge sharing is actively practiced. Minimal risk exists.
- Low-Moderate – Management has implemented a framework for controls monitoring, and takes into account lessons learned and industry best practices that are monitored and updated.
- Moderate – Management supports and institutes internal control monitoring. Some policies and procedures are developed and some best practices applied. Tools are used but not necessarily integrated into all processes. Some level of risk and the potential for negative outcomes exists.
- High – Organization uses informal processes to initiate corrective actions. Internal control assessments are dependent on skill sets of key individuals or external parties. Some methodologies and tools for monitoring internal controls are used. There is potential for serious incidents to occur.
- Very High - Management has not recognized the need to develop and implement practices, policies and procedures or has just begun to establish them. Internal controls are assessed on an ad hoc basis or in response to incidents. Organization lacks the procedures to monitor control effectiveness. Management internal control reporting methods are absent.

Identified risks are classified and grouped as either agency-wide or program/function specific. They are reviewed and adjusted to ensure those areas that appear to pose the highest risks, as well as the most likely to occur, have the highest scores relative to all risks. Once all the identified risks are classified, grouped, and ranked, your organization has the information and basis needed to set priorities and allocate resources. The information provided is invaluable in budgeting scarce resources and making policy decisions in a proactive, rather than reactive manner. Time, energy, and dollars spent on the front end to mitigate the risk once you know about it is far more efficient than cleaning up the mess on the back end.



An agency-wide risk assessment can assist a city, county, or district focus its limited resources where it will have the most impact in protecting the agency. It helps an organization identify problem areas that may not have been obvious before the assessment took place. It lets leaders and key staff come together and focus on improving or strengthening controls, improving compliance with applicable regulations, and/or improving processes and ensure policies and procedures are being followed. The assessment allows your team to effectively prioritize and plan a mitigation strategy for areas that pose the largest threats to your organization.

Author: Anne Nottingham is a consultant with TKW. She currently works with a variety of state and local government agencies performing risk assessments and related performance audits and reviews.

Facilitating Affordable Housing: An Overview of Public Resources

By Michael Schrader and Steven White

Oregonians face an affordable housing problem reaching near crisis proportions in some of our communities. Many individuals and families can't find safe, affordable housing and if they do, they are likely to be rent burdened – spending more than 30% of their income on housing. At the Oregon Government Finance Officers Association's 2016 Fall Conference in Salem, representatives of the City of Bend and the State's Oregon Housing and Community Services provided valuable insight into some of the public resources available to communities to begin to meet this pressing need.

Bend's Sharon Wojda, Finance Director, and Jim Long, Affordable Housing Manager, detailed the success of the City's Affordable Housing Fee, which is levied at the rate of one third of one percent of all construction permit valuations. The funds generated by the fee are provided as loans, on a revolving basis, to developers of affordable housing stock. The City has loaned out more than $13 million for affordable housing projects over a 10-year period. By providing these low-cost funds for development, the City has provided developers with additional leverage to access private financing and helped drive down development costs.

Bend's Affordable Housing Fee pre-dates the State's 17-year ban on construction excise taxes, which was repealed earlier this year with the enactment of Senate Bill 1533. The new law clears the way for other Oregon communities to follow Bend's example; it also allows for inclusionary zoning with affordable housing mandates.

Other tools currently being implemented by the City to facilitate affordable housing include waivers and deferrals of System Development Charges (SDCs), property tax exemptions, amendments to the local code and expedited review of projects. The City has also offered, for below-market costs, surplus municipal property for affordable housing projects. By engaging on these multiple fronts, Bend officials have forged strong working relationships with local builders, realtors and lenders, several of whom sit on the City's Affordable Housing Committee.

Speaking on behalf of the State's Housing and Community Services Department, Teresa Pumala, Tax Credit Program Manager with the Department, offered an overview of the financial programs and incentives available for developers of affordable housing in Oregon. These include Federal Low Income Housing Tax Credits (LIHTC) as well as State tax credits and funds tied to weatherization and preservation. In addition to discussing the State's various programs, Ms. Pumala offered the audience valuable suggestions to enhance the competiveness of local projects applying for tax credits and State funding. Local communities can provide land and leverage, as in the case of the City of Bend, as well as adopting community revitalization plans, serving as an information resource and facilitating additional resources for housing projects such as transportation options, senior and youth community centers and various other community services.

The panel was moderated by Michael Schrader with the law firm of Orrick, Herrington & Sutcliffe. A veteran of the affordable housing field who regularly serves as bond counsel to the Department and local issuers, Mr. Schrader provided an overview of the issues facing communities and facilitated conversation among the panelists.

To learn more about Oregon Housing and Community Services, log on to http://www.oregon.gov/ohcs.

To learn more about the City of Bend's efforts to facilitate affordable housing, log on to http://www.bendoregon.gov/government/departments/economic-development/affordable-housing-program.

A primer on affordable housing finance can be found at https://www.orrick.com/Generic-Articles/Public-Finance-Green-Book-Series under "Multi-family Rental Housing: Financing with Tax-Exempt Bonds."

Authors Michael Schrader and Steven White of the law firm Orrick, Herrington & Sutcliffe in Portland, Oregon, serve as bond counsel to the Oregon Housing and Community Services Department and other conduit issuers in connection with affordable housing projects throughout Oregon.

Basic Local Budget Law Training

These free training sessions are put on by the Department of Revenue for governing body members, budget committee members, finance directors, administrators, and budget officers who participate in the budget process. The course covers local budget law basics, and state property tax laws related to preparing local government budgets.

Registration is not required, hours are 9 a.m. - 3:30 p.m. Refreshments are on your own.

Date	Venue
Feb. 8	Forest Grove City Library, Rogers Room
Feb. 14	La Grande Assessor, Clerk, and Planning Office
Feb. 15	Port of Morrow: Wolf Springs Room
Feb. 16	Deschutes Services Building in Bend
Feb. 17	Lane Community College
Feb. 21	Clackamas Community College: Gregory Forum B and C
Feb. 28	Lake County Courthouse Boardroom
March 1	Community Justice Building Suite 101 in Medford
March 2	SW Oregon Community College: Empire Hall, Room LVF in Coos Bay
March 3	Oregon Coast Community College: Community Room 140 in Newport
March 13	Linn County Fair & Expo Center: Conference Rooms 1 & 2

More information: http://www.oregon.gov/DOR/programs/property/Pages/local-budget.aspx

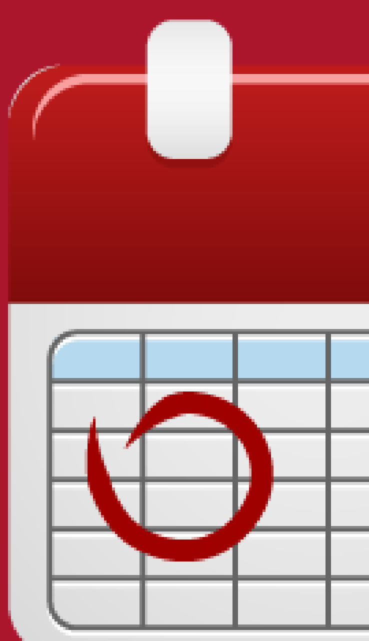
Calendar of Events

March 5 - 8

OGFOA Spring Conference
Salishan Spa & Golf Resort
Gleneden Beach, OR

May 21 - 24

GFOA Conference
Denver, CO



MSRB EDUCATION CENTER

The Municipal Securities Rulemaking Board provides a variety of educational resources for bond issuers as well as being the home for EMMA – where we all file our continuing disclosure documents.

A new quarterly newsletter from MSRB is available. Sign up for this document as well as other informational updates at https://public.govdelivery.com/accounts/VAORGMSRB/subscriber/new