

**PORT OF HOOD RIVER
Resolution No. 2013-14-3**

**ADOPTING FINANCIAL ADMINISTRATIVE POLICIES
AND PROCEDURES**

WHEREAS, the Administration seeks to support the administrative and operational needs of the Port to enhance quality service delivery to the public; and

WHEREAS, the Financial Administrative Policies and Procedures articulates for the Board of Commissioners and Port customers its goals, and major objectives which will provide assistance in the guidance of the Port in its fiscal responsibilities over the next 3-5 years; and

WHEREAS, these policies will allow Port management to anticipate future opportunities and challenges, take proactive action, and make informed decisions on organizational activities, initiatives and the allocation of resources; and

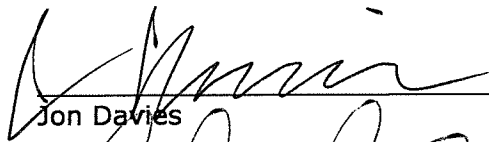
WHEREAS, the Financial Administrative Policies and Procedures is consistent with the Board of Commissioner's policy direction for the Port.

NOW, THEREFORE, BE IT RESOLVED that the Port of Hood River Board of Commissioners formally adopts the Financial Administrative Policies and Procedures, attached hereto as Exhibit A; and

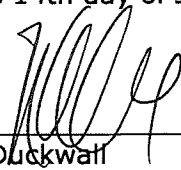
BE IT FURTHER RESOLVED that the Financial Administrative Policies and Procedures is a Binding Port Policy document included in the Strategic Business Plan; and

BE IT FURTHER RESOLVED that the Port of Hood River Board of Commissioner's directs the Executive Director or designee to implement the Financial Administrative Policies and Procedures throughout its operations and activities.

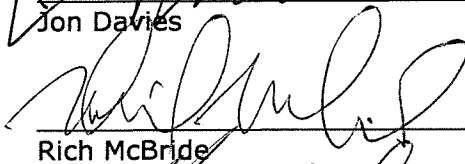
ADOPTED BY THE BOARD OF COMMISSIONERS this 14th day of January 2014.



Jon Davies



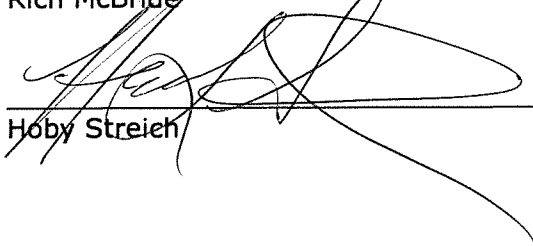
Fred Duckwall



Rich McBride



Brian Shortt



Hoby Streich

PORT OF HOOD RIVER FINANCIAL ADMINISTRATIVE POLICIES

PURPOSE

The Financial Administrative Policies and Procedures, articulates the policies, goals and major objectives which will guide the Port in its fiscal responsibilities for the foreseeable future.

FINANCIAL PLANNING FIN-2.01

Policy

The Port of Hood River will prepare a long-range financial plan to guide the Board of Commissioners in adopting the Port budget and to assist the Board in ensuring the delivery of services through all types of economic cycles. The plans will help the Board of Commissioners evaluate the impact of the financial needs of delivering all the necessary activities performed by the Port within its boundaries. The plan will also assist in coordinating funding needs among the Revenue, Bridge Repair & Replacement and General Fund functions and needs.

Financial planning and budgeting will be based on the following principles:

- Revenue estimates will be prepared on a conservative basis to minimize the possibility that economic fluctuations could jeopardize ongoing service delivery during the fiscal year.
- Expenditure estimates will anticipate needs that are reasonably predictable.
- Forecasts will rely on a common set of basic economic assumptions that will be established, updated and distributed by the Finance Manager. The forecasts will also identify other assumptions used in their preparation and associated risks. Examples of risks can include rates, legislation and legal rulings that affect Port liability, pension systems or health benefit plans, as well as regional economic trends that affect Port revenues and grants. The Port will test both its financial planning methodology and use of planning tools in order to provide timely and accurate information that is disseminated to the Board.

Financial Plans and Forecasts

- The Administration will prepare an annual audited financial report. This report will include a comprehensive overview of the Port's financial condition.
- Financial plans will be prepared annually for the Port and the impacts to the Revenue, Bridge Repair & Replacement and General Funds. If appropriate, the plan will identify additional resources needed to continue current service levels like toll increases or adjustments to services provided.

Operation and Maintenance

- The Port will preserve its current physical assets and plan in an orderly manner for future capital investments, including the operating and maintenance costs associated with new or additional capital improvements or major equipment.
- The Port will use its best efforts to identify and include full costs of future maintenance needs and operating costs of new capital improvements and equipment prior to funding as part of the Budget.
- In general, all assets will be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs. A high priority should be placed on maintenance where deferring maintenance will result in greater costs to restore or replace neglected facilities/equipment.
- Maintenance and operations of major capital assets should be given priority over acquisition of new assets, unless an analysis indicates a net benefit or the funding source to acquire or develop a new asset cannot be used for operations and maintenance.
- Factors that reduce operating and maintenance costs, such as upgrades, remodels and/or technological advances, will be considered when reviewing operation and maintenance requests. Priority may be given to projects that do not require operation and maintenance adjustments or that reduce those costs.
- The budget will seek to provide sufficient funding for adequate operations, maintenance, scheduled replacement and enhancements of capital assets and equipment. Whenever Port staff identify that there is a significant discrepancy between the need to maintain or modernize Port infrastructure or facilities and the funds available for such improvements, the Executive Director or designee will present a strategy for meeting these needs to the Board of Commissioners.

Responsibility

The Finance Manager will coordinate the presentation of the Port's financial plan with the Executive Director providing overall guidance.

BUDGET FIN-2.02

Policy

The Port will develop and implement a budget process that will:

Make prudent use of financial resources.

- Include financial forecast information to ensure that the Port is planning adequately for current and future needs.
- Involve community members, elected officials, employees and other key stakeholders.
- Provide performance and other analytical data to assist in assessing resource effectiveness.
- Comply with Port laws and State of Oregon Local Budget Law.

The Executive Director will develop and present a proposed budget to the Board of Commissioners for consideration and adoption. The Proposed budget will identify major financial and service issues, identify funding requirements and sources of funds, provide supplemental information on programs or functions, include budget and performance or other details necessary to relate recommendations to the Port's strategic plan and goals.

The Finance Manager will assist the Executive Director in Proposed annual budget process and calendar. The proposed process and calendar will support the budget committee participation and Board deliberations.

Budget Monitoring

The Finance Manager will maintain a system for financial monitoring and control of the Port's budget during the fiscal year. This system will provide the Board with information on revenue, expenditures and performance at both the Port and fund level. The system will include provisions for amending the budget during the year in order to comply with State of Oregon budgetary statutes and to address unanticipated needs or emergencies. The Finance Manager will coordinate the process for budget adjustments requiring Board and possibly Budget Committee approval.

The Finance Manager will periodically publish Fund financial status reports on the revenues and expenditures to date, and the estimated year-end balance. During the Spring Planning session the Finance Manager will report to the Board on the financial results and recommend financial management actions necessary to meet the adopted budget's financial planning goals.

For the Fall Planning session, the Finance Manager will report to the Board on the previous year's financial performance and how it relates to the long-term financial forecast with respect to reserves and debt coverage. Included in this report will be any new legislation, rules, regulations or policies that will have a material impact for the rest of the fiscal year.

Operating Policies

1. **Balanced Budget.** In each fund, resources shall be equal to or exceed requirements. Each Port fund budget must identify ongoing resources that at least match expected ongoing requirements. One-time cash transfers and non-recurring ending balances may either be applied to reserves or used to fund one-time expenditures; they will not be used to fund ongoing expenditures, except as provided in section 2 below.
2. **One-time Funds.** One-time funds are resources designed to be used for projects and purchases that can be accomplished within the fiscal year or two but not to be used towards ongoing expenditures. One-time funds may be committed for up to four years for a capital project or a significant planning effort that has a finite duration of four years or less. Such a funding commitment shall be noted in the Proposed Budget. Out-year funding may not be committed in excess of the one-time funds projected to be available in the long-term financial forecast.

3. **Surplus Revenue and Fund Balances.** From time to time additional revenue (grants or surplus beginning fund balances) will be available. The Port will budget only the amount of revenue that is needed to fund projected expenditures within the fiscal year. Anticipated resources not needed to fund fiscal year spending or unforeseen contingencies shall be split taken to reserves. The Port will not increase accruals and non-cash enhancements to revenues as a means to influence fund balances at year-end.
4. **Efficiency and Effectiveness.** The Port will optimize the efficiency and effectiveness of its services to reduce costs and improve service quality. The Port will coordinate its service delivery with other applicable public and private service providers. The Port will consider new technology to improve its efficiency and effectiveness.
5. **Self-supporting/Full Cost Recovery Basis.** Port *overall* operations will be run on a self-supporting basis where doing so will increase efficiency in service delivery and recover the cost (or part thereof) of providing the service by a user fee or charge.
6. **Contingencies.** The Port will budget a contingency amount for each fund adequate to address reasonable but unforeseen requirements within the fiscal year.

Port-issued Grants or Loans

Only the Port Board of Commissioners can authorize loans or grants of any dollar amount. The Board awards a grant or loan by resolution unless it has delegated the authority to staff. Grants are a type of contract subject to different legal rules: Contracts are typically used to purchase goods and services to directly benefit Port operations, while grants are issued for the purpose of supporting an activity of the recipient.

The Port will avoid issuing grants or loans to assist agencies in meeting ongoing service delivery needs. The Port may audit financial records or performance data to ensure funds are spent in accordance with the purpose of the grant or loan.

Grant or loan agreements between the Port and public agencies shall be issued as intergovernmental agreements.

Fund Management

Creation of new funds or elimination of existing funds shall be done by Port resolution. A review and report by the Finance Manager will be required prior to Board action. The Finance Manager will conduct an annual review to assess if each fund is needed.

Each fund at the Port will have a statement of purpose, adopted by resolution by the Board of Commissioners that contains several required elements.

Responsibility

The Executive Director (or designee) will coordinate the overall preparation and administration of the Port's budget.

FINANCIAL REPORTING

FIN-2.03

Policy

The Port shall maintain a system of financial monitoring, control and reporting for all operations, and funds to provide effective means of ensuring that overall Port goals and objectives will be met and to assure the Port's citizens, partners and investors that the Port is well managed and fiscally sound.

Financial Reporting

The Port will maintain its accounting records and report on its financial condition and results of operations in accordance with state and federal law and regulations, Generally Accepted Accounting Principles (GAAP) and standards established by the Governmental Accounting Standard Board (GASB). Budget reporting will be in accordance with Oregon Local Budget Law.

- A qualified independent firm of certified public accountants will perform an annual financial and compliance audit of the Port's financial statements. The firm's opinions will be presented in the Port's Annual Financial Report (AFR), in the single audit report as required by the Single Audit Act of 1984 and in the independent auditor's Report on Compliance and on Internal Control over Financial Reporting.
- The AFR will be designed to communicate with citizens about the financial affairs of the Port.
- As an additional independent assessment of the quality of the Port's financial reporting, the Port will strive to obtain the certificate of achievement for excellence in financial reporting from the Government Finance Officers Association.
- The Port will strive to minimize the number of funds. The funds will be categorized by standard GAAP functional classifications. The Port will list current funds and their related GAAP functional classification as well as their Port fund type in the Annual Financial Report.

Responsibility

The Finance Manager will implement this policy and report to the Executive Director and Board of Commissioners on compliance issues. The Finance Manager will also develop and maintain Financial Administrative procedures to assist in carrying out these policies.

REVENUE

FIN-2.04

Policy

The Port will strive to maximize and diversify its revenue base to raise sufficient revenue to support essential Port services and to maintain such services during periods of declining economic activity. Port services providing private benefits should be paid for by fees and charges as much as possible to maximize flexibility in the use of Port revenue sources to

meet the cost for services of the broader public benefit. The Port's overall revenue structure will be designed to recapture some of the financial benefits resulting from Port economic and community development investments. However, it will also be linked to the overall Port Strategic Plan and its future updates. Revenue collection efforts that produce positive net revenues for Port service delivery will be the highest budget priority.

Cost Recovery

Charges for services that benefit specific users should strive to recover as much of the full cost as possible, which includes all direct costs, overhead, loss of interest and depreciation on capital plant and equipment. Allocation of indirect costs will be established annually by the Finance Manager.

The Port may subsidize other programs within the Port's portfolio of services from user fees from its primary revenue generation programs. This will be based on Port objectives that align to its Strategic Plan such as remaining competitive within the region and job production during an economic downturn to these subsidies. However, all such services should strive to mitigate their costs either through revenue generation or efficiencies of operations.

Additional Resources

The Port will use and obtain resources according to the following principles:

1. The Port will use as efficiently as possible the resources that it already collects.
2. The Port will collect as efficiently as possible the resources to which it is already entitled.
3. The Port will seek new resources, consistent with its financial policies and Port Strategic Plan.
4. The Port will strive for a total revenue mix that encourages growth and keeps jobs within the Hood River region.
5. The Port will enforce its authority to collect revenue due the Port, including litigation if necessary.

Grants

The Port will avoid using grants to meet ongoing service delivery needs. Prior to a grant application submittal, or acceptance if an application is not required, all grants will be reviewed by the Executive Director (or designee) to ensure compliance with state, federal and Port regulations. The Port will budget expenditures for grant-funded programs only after receipt of the grant award or letter of commitment and only for the amount of the grant award to be expended within the fiscal year.

Revenue Projections, Surpluses and Shortfalls

- Revenue Projections shall be conservatively estimated.
- Revenue Shortfalls. Overall revenue shortfall will require an adjustment in the Spring Planning session with a corresponding reduction to appropriation or from contingency.

Responsibility

The Executive Director (or designee) will oversee compliance of this policy with the participation of staff.

**RESERVES
FIN-2.05****Policy**

Reserves will be established and maintained to ensure the continued delivery of Port services to address emergencies, address a temporary revenue shortfall or provide stability during economic cycles. Sufficient reserves will be managed to provide adequate cash flow, stabilize the Port's interest rates and provide continuity in service delivery.

The Port shall maintain adequate cash reserves which on an aggregate basis is equivalent to 10% of the net depreciable assets held by the Port. Each fund shall maintain a positive cash position at any time during a fiscal year and at year-end.

Bridge Repair & Replacement Fund Reserve

The Port will maintain a reserve in both the Bridge Repair & Replacement Fund as well as the Revenue Fund to:

- Insulate Revenue Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to changes in the economy, adverse litigation or any similar unforeseen action.
- Temporarily insulate Revenue Fund programs and current service levels from slower revenue growth that typically occurs during an economic recession.

There are two parts to the Bridge Repair & Replacement Fund Reserve: a) the amount held for debt service compliance which should be equivalent to the annual debt service payment(s) and b) the amount reflecting a portion of the 10% reserve requirement on net depreciable assets.

Revenue Fund Reserve

This reserve will be used for capital improvements on those same depreciable assets. The intent of the reserve is not to fund ongoing operations of the Port but for the betterment of the capital assets it maintains. The Revenue Fund Reserve should strive to hold aside 10% of its net depreciable assets. The reserve may be used for an emergency. The reserve is available to address one-time emergencies and unanticipated expenditure requirements or to offset drastic unanticipated revenue fluctuations occurring within a fiscal year. The Port may withdraw funds from the reserve when the Port has declared an emergency by ordinance or resolution and after the Fund's budgeted contingency has been exhausted.

The Port will begin to restore the reserve from such an emergency or unanticipated use(s) within 24 months after their first use.

Responsibility

The Finance Manager will manage and monitor the reserves in each fund and report on the current and projected level of the reserve funds during each budget process.

COST ALLOCATION

FIN-2.06

Policy

The Port will establish and maintain a consistent methodology for allocating the costs of the Port's Maintenance and Administration functions and activities that benefit or are used by several Port cost centers. The goal is to provide stable, predictable and equitable costs and rates to cost centers or functional areas that pay for these services.

The two primary methods used to allocate indirect costs of administration and maintenance to Port cost centers are through Overhead Rates or allocations developed annually by the Finance Manager. Direct costs are allocated directly to those cost centers that incur such costs.

Interagency Agreements (IAs)

Costs for services or activities provided to customers that can be defined on a per unit basis or like kind methodology will be allocated as such. Designated cost centers of the Port will strive to recover their costs by charging rates (ie. Airport, Marina, toll bridge) that depict what is being recovered.

Responsibility

The Finance Manager is authorized to develop and issue procedures with input from the Board and other appropriate stakeholders in order to implement the cost allocation policies.

CASH MANAGEMENT

FIN-2.07

Policy

The Port will manage its cash assets to ensure accurate records, reduce the chance of loss or theft and allow the Port to maximize interest income. The Finance Manager will ensure the accurate and timely accounting, investment and security of all cash assets, and will develop, maintain and constantly seek to improve cash management systems. All cash received by the Port will be deposited to the Port bank account(s).

Only the Port's Board of Commissioners is authorized to establish bank accounts for the Port. The Finance Manager will reconcile and balance the cash and investment accounts established by the Board.

Responsibility

The Finance Manager will be primarily responsible for implementing this policy.

PAYMENT PROCESSING

FIN-2.08

Policy

The Port will ensure that its banking services, systems and procedures, including electronic payment processing, are easy for the public to use, provide a cost-effective service and maintain security for transactions.

The Port will maintain all Port banking-related services, including those related to payment card or ACH (automated clearinghouse) processing. Payment cards refer to credit and debit cards. Electronic payment processing refers to the use of credit, debit or ACH methods of payment.

The Finance Manager prior to approval of a request to implement a payment card process, will perform a cost/benefit analysis that assesses the financial and operational impacts of providing this type of service and assess alternatives to credit/debit card use.

Security Standard

All electronic payment processing services must be processed in a Port-approved secure environment. The Payment Card Industry - Data Security Standard (PCI-DSS) shall be the Port's standard for processing electronic payments in a secure environment. This PCI-DSS environment includes the physical, network and software environment for the payment card service. The Port will only use external software for electronic payment processing services that is Payment Application-Data Security Standard (PA-DSS) compliant. The PCI-DSS compliant environment meets the U.S. Department of Treasury recommendation to process ACH payments with sound, risk-based security controls in all ACH systems.

Third-party processors and/or agents acting on behalf of the Port in the collection of funds are required to deposit all collected funds directly to the Port owned and collateralized bank account.

Responsibility

The Finance Manager is authorized to develop and issue procedures with input from other appropriate stakeholders in order to implement the electronic payment processing policy. The Finance Manager will provide guidance and direction to the Port and staff with regard to the cost/benefit analysis for electronic payment card processing. The Information

Technology consultant will provide guidance and direction to the Port in the technical requirements and security policies.

DEBT MANAGEMENT

FIN-2.09

Policy

I. COMPREHENSIVE CAPITAL PLANNING AND FINANCING

The Port will strive to maintain a debt coverage ratio of 2.0, which is two times the outstanding debt held by the Port at any given time. This policy assists the Port in not accumulating more debt than it can possibly payoff and allows the Port to acquire debt on the market at very good to excellent terms, thereby providing the lowest possible capital to its public.

- A. Capital Planning and Financing Approach.** The Port shall utilize an integrated approach to capital planning and financing in preparing a multi-year Capital Improvement Plan. Coordination and preparation of the Port Capital Improvement Plan (the "CIP") shall reside with the Executive Director or designee. The CIP shall be for the ensuing ten fiscal years and shall be updated at least annually as part of the Port budget process. The CIP shall contain a comprehensive description of the sources of funds, including current revenue requirements; identify the timing of project expenditures and their impact on future operating and capital budgets; and evaluate the impact of the projects on the amount and timing of bonds to be issued, debt service requirements, outstanding debt, and debt burden. In developing the CIP, an assessment shall be undertaken to determine whether the planned financings conform with policy targets related to (1) the magnitude and composition of the Port's indebtedness, and (2) the fiscal resources of the Port to support such indebtedness over the next ten years. Affordability impacts of the CIP shall be evaluated in consultation with the Board of Commissioners.
- B. Maintenance, Replacement and Renewal.** Consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair and to maximize the capital asset's useful life, the Port will set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal.
- C. Debt Authorization.** All Port debt issued for the purpose of funding capital projects shall be authorized by the Board of Commissioners and should have been included in the CIP or agreed by the Board that the CIP should be modified. Such modification shall occur only after the Board has received a report of the impact of the contemplated borrowing on the existing CIP and recommendations as to the financing arrangements from the Finance Manager.
- D. Debt Planning.** It shall be the responsibility of the Finance Manager to coordinate the timing, process, and sale of Port debt required in support of the CIP. The

Finance Manager shall make recommendations to the Board as necessary in order to accomplish Port financing objectives.

II. LIMITATIONS ON PORT INDEBTEDNESS

A. Target Limitations on Non-Self-Supporting Unlimited Tax General Obligation Indebtedness. The Port shall, as a matter of policy, conduct its finances so that the amount of direct, non-self-supporting, unlimited tax general obligation ("UTGO") debt outstanding at any time that is subject to approval by the voters (excluding long-term, non-self-supporting leases) does not exceed 0.75% of the Port's taxable real market value.

B. Target Limitations on Lease-Purchase Financing of Equipment and Furnishings. The Port may enter into short-term lease-purchase obligations to finance the acquisition of capital equipment and furnishings with estimated useful lives of less than ten years. Repayment of these lease-purchase obligations shall occur over a period not to exceed the useful life of the underlying asset or in any case no longer than ten years from the issue date of such obligations. The Finance Manager shall be responsible for developing procedures and for setting repayment terms and amortization schedules, in consultation with any lender.

C. Target Limitations on the Issuance of Revenue-Secured Debt Obligations. The Port shall finance the capital needs of its revenue producing enterprise activities through the issuance of revenue-secured debt obligations. Prior to issuing revenue-secured debt obligations, the Finance Manager will develop financial plans and projections showing the feasibility of the planned financing, required rates and charges needed to support the planned financing, and the impact of the planned financing on the customers who use such services (ie. marina slip lessees, bridge toll users, etc.) and other affected parties. The amount of revenue-secured debt obligations issued by the Port will be limited by the feasibility of the overall financing plan as recommended by the Finance Manager.

Revenue-secured debt obligations will be reviewed and approved by both the Finance Manager and the Executive Director before being sent to the Board for approval.

D. Pension Obligation Debt. The Port may (at some time in the future) elect to fund accrued pension liabilities through the issuance of pension obligation bonds rather than funding such obligations on a pay-as-you-go basis. The principal amount of outstanding pension obligations and the debt service on such obligations shall be excluded from calculations of outstanding debt under Section II (A) (B) and (C) of this debt policy.

III. STRUCTURE AND TERM OF PORT INDEBTEDNESS

A. Rapidity of Debt Repayment. Generally, borrowings by the Port should be of a duration that does not exceed the economic life of the improvement that it finances and where feasible should be shorter than the projected economic life. Moreover, to the extent possible, the Port should design the repayment of debt so as to recapture

rapidly its credit capacity for future use. The Port may choose to structure debt repayment so as to wraparound existing obligations or to achieve other financial planning goals. Such alternative structures shall be subject to the approval of the Board.

- B. Use of Variable-Rate Securities.** The Port will not recommend issuing securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. There may be a business case in the future that merits the issuance of such securities and will be presented to the Board if such factors would be materially significant and beneficial to the Port. Prior to issuing variable rate debt, a plan shall be developed to address interest rate risk associated with these instruments.
- C. Pledge of Restricted Funds to Secure Debt.** The Port has the power to make an irrevocable pledge of a security interest in an account created exclusively for the security of holders of Port obligations. Before such funds are used to secure a prospective financing, policies regarding the use of such restricted funds shall be developed by the Finance Manager, subject to approval by the Board, to ensure that the use of such funds to secure bonds does not violate restrictions on such funds and that underlying program commitments can be maintained in addition to meeting debt service obligations on debt secured by the restricted funds. These policies shall be presented as recommendations to the Board prior to or at the time issuance of the secured debt is to be authorized.
- D. Use of Subordinate Lien Obligations.** Creation of a subordinate lien financing structure, if appropriate, shall be based on the overall financing needs, expected credit ratings, if any, relative cost of a subordinate lien structure, and impacts on the Port as determined by the Finance Manager and the Executive, in consultation with the Board.

IV. SHORT-TERM DEBT AND INTERIM FINANCING

- A. Lines and Letters of Credit.** Where their use is judged by the Finance Manager to be prudent and advantageous to the Port, the Port has the power to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit that shall provide the Port with access to credit under terms and conditions as specified in such agreements. Before entering into any such agreements, takeout financing or intended amortization for such lines or letters of credit must be planned for and determined to be feasible. Any agreements with financial institutions for the acquisition of lines or letters of credit shall be approved by the Board of Commissioners. Lines and letters of credit entered into by the Port shall be in support of projects contained in the approved Capital Improvement Plan.
- B. Bond Anticipation Notes.** Where their use is judged by the Finance Manager to be prudent and advantageous to the Port, the Port may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, takeout financing for such notes must be planned for and determined to be

feasible. Bond Anticipation Notes may be sold in either a competitive or negotiated sale, subject to authorization and approval by the Board.

V. CONDUIT FINANCINGS

The Port may sponsor conduit financings for activities (i.e., economic development, etc.) that have a general public purpose and are consistent with the Port's overall mission and policy objectives. All conduit financings must insulate the Port completely from any credit risk or exposure and must first be reviewed by the Finance Manager and Executive Director before being submitted to the Board for authorization and implementation.

Conduit financings shall either:

1. Carry an investment grade rating by Moody's Investors Service and/or Standard & Poor's Corporation, respectively.
2. Be sold via a private sale only to "accredited investors" pursuant to Oregon state law.

The obligated borrower in a conduit financing shall be responsible for complying with all arbitrage rebate requirements associated with the bonds and shall, prior to the closing of the bonds, enter into a contract for rebate services with a firm recognized as having expertise in performing arbitrage rebate calculations for tax-exempt bonds.

VI. FINANCING PROPOSALS

Any capital financing proposal made to the Port involving a pledge or other extension of the Port's credit through the sale of securities, execution of loans or leases, or making of guarantees or otherwise involving directly or indirectly the lending or pledging of the Port's credit shall be referred to the Finance Manager, who in a timely manner shall be responsible for analyzing the proposal, responding to the proposal, and recommending to the Executive Director and the Board, the required action to be taken.

VII. SELECTION OF FINANCE CONSULTANTS AND SERVICE PROVIDERS

The Port's Finance Manager shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the Port's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and regional, and securing services at competitive prices. The solicitation and selection process for such services will comply with Port requirements for professional services.

- A. Bond Counsel.** The Finance Manager in consultation with the Executive Director will be responsible to oversee and coordinate the marketing of all Port indebtedness, with advice from Port Legal Counsel, Financial Advisor and underwriters with regard to a capital financing and the selection of Bond Counsel to be employed for such a financing. Staff will provide a recommendation to the Board on making such a selection.
- B. Underwriters.** The Finance Manager in consultation with the Executive Director shall solicit proposals for underwriting services when such level of debt offering

warrants underwriting services. The selection of underwriter will be for an individual financings or a specified time period. The Board shall make such selections taking into consideration the recommendations of staff.

- C. **Financial Advisor.** The Finance Manager in consultation with the Executive Director will be responsible to oversee and coordinate the marketing of all Port indebtedness, with advice from Port Legal Counsel, bond counsel and underwriter with regard to a capital financing and the selection of the Financial Advisor to be employed for such a financing. Staff will provide a recommendation to the Board on making such a selection.
- D. **Paying Agent.** The Finance Manager, in consultation with the Financial Advisor shall determine the paying agent services from qualified commercial and trustee banks. The cost of providing such services shall be used by the Finance Manager, along with other qualitative measurements, in selecting a Paying Agent.
- E. **Other Service Providers.** The Finance Manager shall periodically solicit for providers of other services necessary to carry out the debt issuance activities of the Port (escrow agents, verification agents, trustees, etc.). The Finance Manager in selecting such additional service providers shall evaluate the cost and perceived quality of service of the proposed service provider.

VIII. METHOD OF SALE

- A. The Port, as a matter of policy, shall issue its debt obligations through either a competitive sale, negotiated sale or a private placement. The Finance Manager will determine the sale method that benefits the Port by producing the best results to the Port. In such instances where the Port deems that the preferred method of sale is a competitive bid, and the bids received through a competitive sale are deemed unsatisfactory or bids are not received, the Finance Manager will be allowed to solicit either a negotiated sale or private placement.
- B. **Use of Technology in Bond Sale Process.** The Port shall encourage the use of electronic bidding systems, electronic dissemination of disclosure information and other technological methods whenever the use of such technology is expected to reduce sale costs and enhance market participation in Port financings.

IX. REFUNDING OF PORT INDEBTEDNESS

- A. **Debt Service Savings--Advance Refundings.** The Port may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible, prudent, and net present value savings equals or exceeds 3 percent, calculated in accordance with Oregon Administrative Rules on Advance Refundings.
- B. **Debt Service Savings--Current Refundings.** The Port may issue current refunding bonds (as defined for federal tax law purposes) when advantageous,

legally permissible, prudent, and net present value savings equal or exceed \$100,000.

- C. **Restructuring of Debt.** The Port may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refundings undertaken to restructure debt are done so in the Port's overall best financial interests.
- D. **Open Market Purchase of Port Securities.** The Port may choose to defease its outstanding indebtedness through purchases of its securities on the open market when market conditions make such an option financially feasible. The Finance Manager shall be responsible for developing procedures for executing open market purchases and the savings objectives to be achieved by undertaking such actions.

X. USE OF CREDIT ENHANCEMENT

The Port shall use credit enhancement (letters of credit, bond insurance, surety bonds, etc.) when such credit enhancement proves cost-effective. Credit enhancement may be used to improve or establish a credit rating on a Port debt obligation if such credit enhancement is cost effective or if in the opinion of the Finance Manager, the use of such credit enhancement meets the Port's debt financing goals and objectives.

XI. CREDIT RATINGS

- A. **Rating Agency Relationships.** The Finance Manager shall be responsible for maintaining relationships with the rating agencies, if applicable, that assign ratings to the Port's various debt obligations. This effort shall include providing periodic updates on the Port's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.
- B. **Use of Rating Agencies.** The Finance Manager shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.
- C. **Minimum Long-Term Rating Requirements.** The Port's minimum rating requirement for its direct, long-term, debt obligations is a rating not lower than "A3" by Moody's Investors Service or "A-" by Standard & Poor's Corporation. If such a debt obligation cannot meet this requirement based on its underlying credit strength, then credit enhancement shall be sought to ensure that the minimum rating is achieved. If credit enhancement is unavailable or is determined by the Finance Manager to be uneconomic, then the obligations may be issued without a rating.

XII. REBATE REPORTING AND COVENANT COMPLIANCE

The Finance Manager shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance

with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the Port's outstanding debt issues.

Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are complied with.

XIII. ONGOING DISCLOSURE

The Finance Manager shall be responsible for providing ongoing disclosure information to established national information repositories and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies

XIV. OTHER POLICIES AND REQUIREMENTS

- A. Annual Audit of the Port.** The annual audit of the Port shall describe in detail all funds and fund balances established as part of any direct debt financing of the Port. The audit may also contain a report detailing any material or rate covenants contained in any direct offering of the Port and whether or not such covenants have been satisfied.

Responsibility

The Port Finance Manager will be responsible for the implementation of this policy. Any amendments to this policy must be approved by the Board after consultation with the Executive Director.

IT MANAGEMENT AND POLICIES

FIN-2.10

Policy

Responsibility for protecting Port information systems and data is shared by several individuals throughout the Port including, Users, Consultants, and the Finance Manager. The purpose of this policy is to describe the specific sub-areas of the IT Management Policies.

Role & Responsibilities

The Finance Manager provides a key role of centralized oversight, direction, and support for all information systems security-related services for the Port. These responsibilities include, but are not limited to the following key areas:

- Support for Port security policy development, implementation, and enforcement.
- Support for strategic security planning and plan implementation.
- Support for security awareness and education programs.
- Incident response services as needed.
- Security consulting services as needed.

- Support for the development and implementation of all appropriate security standards and guidelines as necessary for the Port.

Users

All Users have a critical role in the effort to protect and maintain Port information systems and data. Users of Port computing resources and data should review the administrative rules behind the accompanying IT policies.

NETWORK ACCESS – 2.12.1

The Network Access Policy is to establish rules for the access and use of the Port's network infrastructure.

Access to the Port's network and applications will be made available to all users that follow a standard process to determine access requirements.

- Comply with all Port policies and guidelines.
- Protect all Port assets and never share access accounts, privileges and associated passwords.
- Maintain the confidentiality of sensitive information to which they are given access privileges.
- Accept accountability for all activities associated with the use of their user accounts and related access privileges.
- Ensure that use of port computers, email, internet access, computer accounts, networks, and information stored, or used on any of these systems is restricted to authorized purposes and defined acceptable use policies.
- Report all suspected security and/or policy violations to an appropriate authority (e.g. Finance Manager, Executive Director).
- Follow all specific policies, guidelines and procedures established by the Port.

REMOTE NETWORK ACCESS – 2.12.2

Port employees and approved contractors that remotely connect to the Port network should do so using a VPN connection authorized by the Port with a designated logon and password, established, controlled and managed by the Port.

USER & ADMINISTRATIVE PASSWORDS – 2.12.3

The Port will establish a standard for the creation of passwords, the protection of those passwords, the association of passwords with user accounts and the frequency of password changes.

The scope of this policy includes all personnel who have or are responsible for an account (or any form of access that supports or requires a password) on any system that resides at any Port facility, has access to the Port network, or stores any non-public Port information.

Passwords are used for various purposes at the Port. Some of the more common uses include: user level accounts, web accounts, email accounts, screen saver protection and network equipment logins. Everyone should be aware of how to select a good password.

VIRUS PREVENTION & RECOVERY – 2.12.4

All computers, systems and network devices connected to Port networks should have an effective virus prevention, detection and eradication.

The Port shall ensure that employees are provided with information on safe practices for virus protection and that these safe practices are observed at all times. Port employees are reminded of the expectation to observe safe practices regarding the use of computers to minimize the risks of viruses.

INCIDENT REPORTING & RESPONSE – 2.12.5

For the purposes of this policy an "Information Security Incident" is any accidental or malicious act with the potential to result in misappropriation or misuse of confidential information (social security number, health records, financial transactions, etc.) of an individual or individuals, significantly imperil the functionality of the information technology infrastructure of the Port, provide for unauthorized access to Port resources or information, allow Port information technology resources to be used to launch attacks against the resources and information of other individuals or organizations.

In the case an information security incident is determined to be of potentially serious consequence, the responsibility for acting to resolve the incident and to respond to any negative impact rests with the Finance Manager working in conjunction with the IT consultant.

All Port employees shall take appropriate actions to report and minimize the impact of information security incidents. Reporting unlawful or improper actions of Port employees is expected and covered in the Port's Personnel Manual.

IT Support Professionals

IT technology professionals have additional responsibilities for information security incident handling and reporting for the systems they manage.

PORTABLE COMPUTING DEVICES – 2.12.6

This policy covers all portable computing devices (IPAD's, IPOD's, Smart Phones, etc) owned, maintained and operated by the Port.

Note: Laptop and notebook computers are covered under the same policies applicable to desktop computers & workstations.

- Only approved portable computing devices may be used to access Port information systems.
- Where technically feasible, all portable computing devices must be password protected and have an inactivity timeout.
- In general, sensitive Port data should **not** be stored on portable computing devices.
- All remote access to the Port network must be either through a Port approved access gateway or via an Internet Service Provider (ISP).
- All Port employees must be responsible to secure portable computing devices in their care and possession and immediately report any loss or theft of such devices to the Finance Manager.

PHYSICAL SECURITY – 2.12.7

The Port requires that appropriate environmental, protection and access controls be in place to protect computing and information resources. Proper and adequate physical security and protection is the responsibility of all Port employees.

Physical Security

Physical security measures are an important part of any effort to protect information system assets and services. As with logical security measures at the Port, physical security measures required for protecting Port computing resources shall be commensurate with the nature and degree of criticality of the computer systems, network resources, and data involved. Control measures will be applied in accordance with systems environment sensitivity and criticality.

All Port employees must be responsible to secure information assets in their care and possession and immediately report any loss or theft of such assets to their management and the Finance Manager. Additionally, all Port employees must be aware of unauthorized individuals (e.g. maintenance, public and others visiting, delivery personnel, vendors, etc) and be prepared to challenge individuals entering a restricted area(s).

