Treasury Overview & Public Funds

2025 OACTFO Conference

OREGON STATE TREASURY

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About the Presenter

Bryan Cruz González is the Deputy Director of Finance for the Oregon State Treasury. In that role, he oversees statewide cash management policies, manages the division's communications and legislative activities, oversees vendor relationships and the delivery of services to customers, advises state agencies and local governments on banking and public funds matters, and manages the Public Funds Collateralization Program. Bryan has 19 years' experience with the State of Oregon and has focused his career on implementing new programs across state government. He was a national leader in administering the Hardest Hit Fund—a federally funded foreclosure prevention initiative—while serving at the Oregon Housing and Community Services Department. Bryan coordinated statewide reporting under the American Recovery and Reinvestment Act as part of Governor Kulongoski's Economic Recovery Executive Team and helped implement a voter-backed land use initiative while at the Oregon Department of Land Conservation and Development. Prior to public service, Bryan worked as a legal assistant in land use and real estate law. Bryan studied economics and international relations at Boston University.

You can reach Bryan at bryan.gonzalez@ost.state.or.us or 503.378.3496.

Overview of Local Government Services

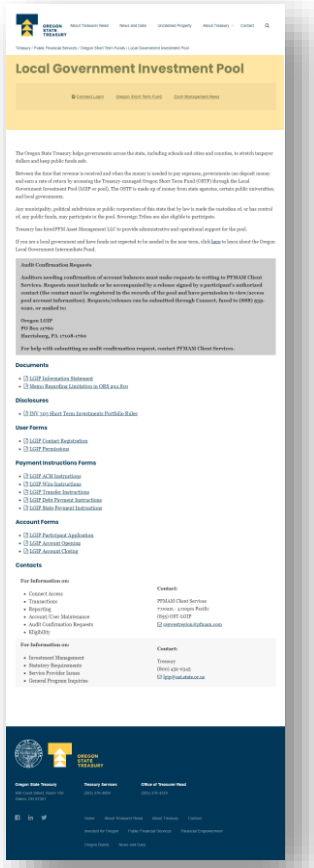
Serving Governments and Taxpayers

- Oregon Short Term Fund (via Local Government Investment Pool)
- Oregon Local Government Intermediate Fund
- Public Funds Collateralization Program
- Oregon School Bond Guaranty Program

- Oregon Short Term Fund Board
- Municipal Debt Advisory Commission
- Private Activity Bond Committee

Local Government Investment Pool

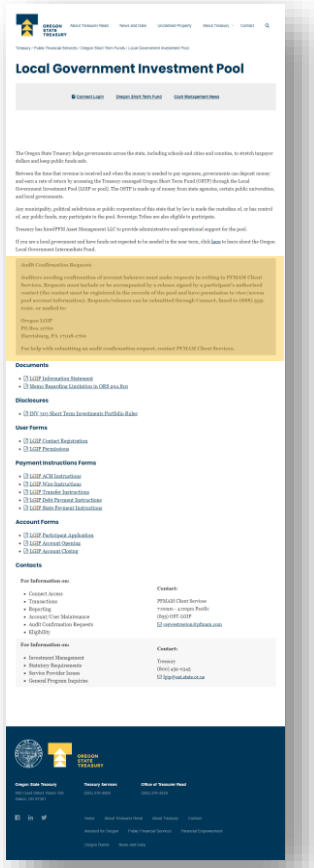
www.oregon.gov/lgip



Local Government Investment Pool

Connect Login Oregon Short Term Fund Cash Management News

www.oregon.gov/lgip



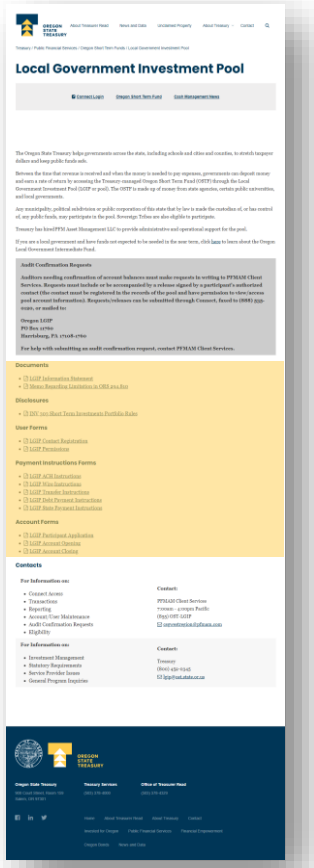
Audit Confirmation Requests

Auditors needing confirmation of account balances must make requests in writing to PFMAM Client Services. Requests must include or be accompanied by a release signed by a participant's authorized contact (the contact must be registered in the records of the pool and have permission to view/access pool account information). Requests/releases can be submitted through Confirmation.com (auditor use only) or Connect, faxed to (888) 535-0120, or mailed to:

Oregon LGIP
PO Box 11760
Harrisburg, PA 17108-1760

For help with submitting an audit confirmation request, contact PFMAM Client Services.

www.oregon.gov/lgip



Documents

- LGIP Information Statement
- Memo Regarding Limitation in ORS 294.810

Disclosures

- INV 303 Short Term Investments Portfolio Rules

User Forms

- LGIP Contact Registration
- LGIP Permissions

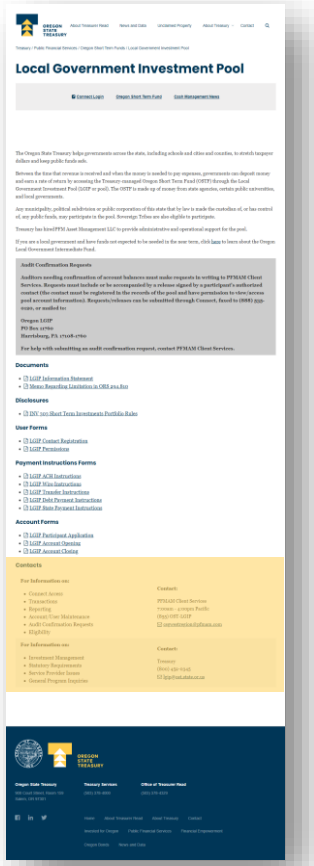
Payment Instructions Forms

- LGIP ACH Instructions
- LGIP Wire Instructions
- LGIP Transfer Instructions
- LGIP Debt Payment Instructions
- LGIP State Payment Instructions

Account Forms

- LGIP Participant Application
- LGIP Account Opening
- LGIP Account Closing

www.oregon.gov/lgip



Contacts

For Information on:

- Connect Access
- Transactions
- Reporting
- Account/User Maintenance
- Audit Confirmation Requests
- Eligibility

Contact:

PFMAM Client Services
7:00am - 4:00pm Pacific
(855) OST-LGIP
csgmww@pfmam.com

For Information on:

- Investment Management
- Statutory Requirements
- Service Provider Issues
- General Program Inquiries

Contact:

Treasury
(800) 452-0345
lgip@ost.state.or.us

Limitation on Aggregate Pool Balances

ORS 294.810 places a limit on the *aggregate* moneys that a participant may place in the pool.

- Limitation adjusts annually (currently $61,749,000)
- Exception for pass-thru moneys (counties/tribes 20 days; others 10 days)
- Exception for moneys invested on behalf of another entity

Cash Retainage and the Pool

- House Bill 4006 (2024) amended ORS 279C.570
  - Cash retainage for public improvement contracts that exceed $500,000 no longer must be deposited in an interest-bearing *escrow* account
- Cash retainage under ORS 279C.560(2)(a) may be held in the pool
- If a contractor elects an alternate approach under ORS 279C.560(2)(b), cash retainage must be deposited in an interest-bearing account in a *bank or other financial institution*
  - Treasury is not a bank or other financial institution and cash retainage under this option may *not* be held in the pool
- Treasury considers cash retainage to be public funds
- Discuss retainage options and requirements with legal counsel and procurement/contracting staff before depositing cash retainage in the pool

PFMAM Client Services

Jeremy King
Key Account Manager

Rachael Miller
Client Consultant

DeWayne Field
Client Service Representative

Public Funds Law

You can be held *personally* liable for any loss of public funds if not in compliance with ORS Chapter 295

What Are Public Funds?

Funds that a public official has custody or control of by virtue of exclusive legal right.

- Custody = directly holds or manages
- Control = directly or indirectly controls through contract
- By virtue of exclusive legal right = contract or law authorizes public body to hold or manage moneys including moneys that belongs to others (such as employee payroll deductions, loan programs, etc.)

What Are Public Funds?

DOJ has advised agencies that moneys over which a state agency has contractual control, even though it does not have custody of the moneys, are public funds.

- If an agency contracts with a third party to hold, manage, or collect moneys on behalf of the agency or an agency directs through its contract how moneys may be used in order to fulfill an obligation of the agency, such moneys are probably public funds

What Are Public Funds?

Certain public moneys are not subject to the Public Funds Law:

- Debt service funds
- Invested funds (CDs are deposits and *not* invested funds)
- Funds held as required by federal law or judicial/regulatory order
- Funds held and *protected* pursuant to contract
- ~~Funds collected by third party vendors for payment of electric vehicle charging services~~ (ended January 2022)

How Must Public Funds Be Handled?

ORS 295.002 provides that “a public official shall deposit, or require the deposit of, all public funds in the public official’s custody or control in one or more qualified depositories, except…

“a public official may deposit public funds in a depository that is not a qualified depository if the amount of public funds deposited is *fully* insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration….”

How Must Public Funds Be Handled?

Public funds balances <= $250,000 ▶ Any bank or credit union with a physical location in Oregon

Public funds balances > $250,000 ▶ Qualified Depository

- Must be segregated from other funds
- Must be "owned"/held on behalf of public body in the depository's records
- Must be flagged as public funds in the depository's records

What Is A Qualified Depository?

A bank or credit union in Oregon that has entered into an agreement with Treasury to participate in the Public Funds Collateralization Program:

- Participates in shared liability pools
- Pledges collateral against public funds deposits in excess of federal deposit insurance amounts
- Reports on financial well-being

Standard Methods for Protecting Public Funds

Financial institution provides protection.

- Moneys deposited on behalf of a public body in a depository up to federal deposit insurance limits
- Moneys deposited on behalf of a public body in a qualified depository
- Moneys deposited in a “For Benefit Of” account
- IntraFi’s ICS and CDARS

Public Official Reporting

Must provide Treasury the names of all banks and credit unions (whether qualified depositories or not) where you deposit public funds.

- Annual verification
- Within three days of when a change takes effect

E-mail public.funds@ost.state.or.us:

- The name, mailing address, phone number, and e-mail address of *at least* one contact for your entity (best to provide multiple contacts)
- The names of all banks or credit unions where your entity deposits public funds
- *Do not include account numbers, balances, or other sensitive information*

Public Funds Law

Third Party Vendors

Vendor Risks

There are a variety of risks to consider when using third party vendors, including

- Loss of funds by the vendor
- Loss of funds by the vendor's financial institution
- Fraud/theft

Treasury evaluates and ensures that third party vendors used by state agencies comply with public funds and other requirements (see Treasury policy FIN 214: Third Party Vendor Requirements).

Public Funds Considerations

- Contract vs. grant
- Prepayment/reimbursement of vendor expenses
- Collection vs. disbursement
- “Prefunding” by vendor
- Standard methods vs. alternative methods

Alternative Methods

Third party vendor provides protection instead of financial institution.

- Operate solutions as exceptions to standard methods
- Treasury oversees alternative methods for state agencies via policy (see Treasury policy FIN 216: Alternative Methods for Protecting Public Funds)
- Local governments can develop and adopt alternative methods that address their specific needs/concerns (see ORS 295.098)

Alternative Methods

- Governing body/appropriate public official must take official action to approve alternative method
  - Must include findings how the alternative method will protect public funds from loss by the third party
- Must be designed so that public funds are *fully* secured while held or deposited by the third party and until the funds are remitted to the public body
- Public official must initially calculate a minimum amount of collateral and recalculate within the first month of *each subsequent calendar quarter*

Alternative Methods

- Cash Deposit
- Surety Bond
- Letter of Credit

Cash Deposit

Enables third party vendor to provide a cash deposit to protect public funds not held in a qualified depository on behalf of a public body.

- Vendor must be willing/able to commit funds in advance of collection (may increase vendor costs to public body)
- Cash deposit must be held in a qualified depository for the benefit of the public body
- Public body must contractually establish its right to seize the cash deposit if public funds are lost by vendor or vendor's financial institution

Surety Bond

Enables third party vendor to provide a surety bond to protect public funds not held in a qualified depository on behalf of a public body.

- Vendor must be willing/able to obtain an adequate surety bond (may increase vendor costs to public body)
- Surety bond must protect against loss of public funds by vendor and vendor's financial institution (consider developing standard bond form)

Letter of Credit

Enables third party vendor to provide a letter of credit to protect public funds not held in a qualified depository on behalf of a public body.

- Vendor must be willing/able to obtain an adequate letter of credit (may increase vendor costs to public body)
- Letter of credit must protect against loss of public funds by vendor and vendor's financial institution

Local Government Example

- The City of Anytown would like to contract with ABC Solutions Inc. to process permit applications and collect permit fees on the city's behalf. ABC provides similar services to municipalities nationwide.
- ABC's established process is to deposit fees collected on behalf of all of its clients into ABC's bank account and then remit the appropriate funds to each of its clients on a monthly basis.
- ABC's bank is not a qualified depository.

Local Government Example

- Anytown's city council has approved the use of a cash deposit as an alternative method.
- Based on the city council's action, Anytown's staff negotiates for ABC to provide a cash deposit to protect the public funds held by ABC.
- Anytown initially estimates that ABC will collect and hold up to $30,000 in unremitted public funds per month. *ABC's cash deposit must be at least $30,000.*

Local Government Example

- ABC collects and holds $15,000 in August (the first month of the contract). ABC collects and holds $13,000 in September.
- In October (the first month of the *calendar* quarter), Anytown staff must recalculate the amount of collateral. Based on the past two months, and updated business projections, Anytown estimates that ABC will collect and hold up to $20,000 in unremitted public funds per month. *ABC may reduce its cash deposit to at least $20,000.*

Local Government Example

- ABC collects and holds $18,000 in October, $16,000 in November, and $19,000 in December.
- In January (the first month of the *calendar* quarter), Anytown staff must recalculate the amount of collateral. As of January 1, Anytown has expanded its contract with ABC to process additional permits and fees. Based on the past three months, and updated business projections, Anytown estimates that ABC will collect and hold up to $40,000 in unremitted public funds per month. *ABC must increase its cash deposit to at least $40,000.*

Local Government Example

- ABC collects and holds $42,000 in January, $39,000 in February, and $38,000 in March.
- When Anytown receives January's payment of $42,000 from ABC on February 10, Anytown realizes that ABC collected and held unremitted public funds in excess of ABC's $40,000 collateral. *Based on business projections, Anytown notifies ABC that it must immediately increase its cash deposit to at least $45,000.*

Local Government Example

- In April (the first month of the *calendar* quarter), Anytown staff must recalculate the amount of collateral. Based on the past three months, and updated business projections, Anytown estimates that ABC will collect and hold up to $45,000 in unremitted public funds per month. *ABC may maintain its cash deposit of $45,000.*

Other Cash Management Items

HB 2089 (2025) Foreclosure Surpluses

- Treasury's Unclaimed Property team has been meeting with county representatives to prepare for implementation
- unclaimed.oregon.gov will be updated with required notices, reporting instructions, and FAQs
- Upcoming dates:
  - Sept. 19 – website changes go live
  - Sept. 26 – bill takes effect
  - Oct. 1 – temporary rules take effect

For questions or assistance, contact holder@ost.state.or.us.

Questions

OREGON STATE TREASURY

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Oregon State Treasurer

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Salem, OR 97301

oregon.gov/treasury