

CITY OF CORVALLIS

Investment Council

Treasury Report

April 2010

CITY OF CORVALLIS, OREGON
INVESTMENT COUNCIL
Treasury Report - Table of Contents

Investment Council Minutes 5-19-10	1
Cover Memo	27
Investment Portfolio Summary	29
SymPro Reports	
Portfolio Summary	30
Portfolio Details – Investments	31
Portfolio Details – Cash	32
Activity By Type	33
Activity Summary	34
Distribution of Investments By Type	35
Inventory by Maturity	36
Activity Report	37
Aging Report	39
Cash Flow Summary	40
Compliance Reports	
Investment Type Compliance Test	41
Financial Institution Compliance Test	42
Investment Maturity Compliance Test	43
Monthly Revenue Allocations	44
Glossary	45
Graphs	
Short-Term Yield	46
Long-Term Yield	47
Cash & Investments	48

**DRAFT
CITY OF CORVALLIS
INVESTMENT COUNCIL MEETING**

The City of Corvallis Investment Council meeting was called to order at 7:30 am on May 19, 2010, in the Madison Avenue Meeting Room, 500 SW Madison Avenue, Corvallis, Oregon.

ROLL CALL

Present: Jon Nelson, Bill Mercer, Rhyan Van Horn, Nancy Brewer, Julian Contreras, Scott Fewel (8:00am), David Hamby, Stephanie Kassavetis (recorder)

Excused:

SUMMARY OF DISCUSSION

Agenda Item	Information Only	Held Over for Further Review	Recommendations
I. Approval of February 4, 2010 Minutes			Approved as submitted.
II. FY 09-10 Third Quarter Review			Approved as submitted.
III. Open Discussion	X		Adopted changes to the Investment Policy.
IV. Adjournment			Adjourned at 8:17am

City Manager Jon Nelson called the meeting to order at 7:32am.

I. APPROVAL OF FEBRUARY 4, 2010 MINUTES

City Manager Nelson asked if there were any corrections. Seeing none, City Manager Nelson announced the minutes would be approved as submitted.

II. FY 09-10 THIRD QUARTER REVIEW

- Treasury Accountant Rhyen Van Horn presented a summary of the Fiscal Year 2009-2010 Third Quarter Treasury Review. In the review Ms. Van Horn referred to a summary sheet (attachment A) of data reported from December 2009 to March 2010. Ms. Van Horn then gave a brief presentation (attachment B) on the state of the economy and the outlook going forward.
- Ms. Van Horn referenced the LGIP Rate and stated that various brokers seem to think that the LGIP rate has bottomed out. Quite a bit of short term funds that LGIP are invested in are variable rate securities that are linked to LIBOR and that has actually spiked in the last several weeks. When those variable rates reset they will reset at a higher LIBOR rate than they were previously. LIBOR has gone from .25 to .44 in the last couple of months. Ms. Van Horn expects that though this is likely the bottom of the LGIP rate, she indicated that the rate will probably not increase in the near future because the State is still working on the Lehman Brothers situation. But, Ms. Van Horn believes that this is as low as the LGIP will go.

City Manager Nelson stated the report Ms. Van Horn submitted was very good and asked if there were any questions for Ms. Van Horn. Mr. Nelson, asked about the ratio of US debt to the US GDP compared to other countries? Ms. Van Horn will check into this and report back via e-mail.

Mr. Mercer moved to approve the FY 09-10 Third Quarterly Report, Ms. Brewer seconded. The report was approved unanimously.

III. OPEN DISCUSSION

A. Investment Strategy / Investment Policy Updates

Ms. Van Horn covered the changes in the Investment Policy and indicated there have been more significant changes than staff has offered in the past when this review has been done. But in terms of actual text changes, the overall meaning of the text has stayed the same. The changes were covered one by one (attachment C).

Discussion followed on the different proposed ideas presented by Ms Van Horn. The following decisions were made regarding changes

- ◆ Change on page 4, Bill Mercer indicated it might be best to have insured by FDIC at the beginning of (at Oregon State Treasury Qualified Financial Institutions only). Ms. Van Horn will have the change read (**At FDIC insured and Oregon State Treasury Qualified Financial Institutions**). See attachment C.
- ◆ Mr. Nelson asked if the proposed changes would now go before the state investment board or if they had already seen the changes. Ms. Brewer indicated that the changes first are approved by the Investment Council and then are sent on to the state board for their approval or what their recommended changes would be.

Mr. Nelson asked if there were any further questions or recommended changes and there being none a motion was made by Mr. Hamby to accept changes to Investment Policy. Mr. Mercer seconded the motion and the motion passed unanimously.

B. Investment Strategy Memo

Ms. Van Horn stated that she had discussed at the last meeting what she had seen and heard at the Government Finance Officer's Association (GFOA) seminar in January. The staff report (attachment D) encompasses the changes that were briefly discussed at the last meeting to increase the diversity of maturities in the City's investment portfolio. Graph A (attachment E) shows that this is not a new concept for the City, but it is being approached with some different analytical tools.

Ms. Van Horn indicated that staff looks at cash flow to see where investments can be placed with longer maturities; those yields would preserve interest rate earnings in periods of down turns.

Ms. Brewer stated that Ms. Van Horn has done a good job in terms of completing a longer term retrospective look at cash flow needs to actually peg a dollar amount the City would not invest and staff had not done that specific analysis in the past. This analysis will allow the City to meet all of liquidity requirements and identify where there is opportunity for investments.

Ms. Van Horn stated that once all of the cash flows are in for upcoming year at the end of May, there would be a better idea of where there are opportunities.

Mr. Nelson stated that this is not for a motion just discussion and sharing information about looking at a more laddered investment strategy. Ms. Brewer stated that staff is hoping that the Investment Council is comfortable with this strategy.

Mr. Mercer asked what department was the largest cash flow contributor from a revenue perspective. Ms. Brewer stated that Public Works has the most revenue at \$30 to \$32 million from water, wastewater and storm water and they have capital projects which have quite a bit of grant monies wrapped up in them.

C. Safekeeping Account Memo

Ms. Van Horn had talked at the February 4, 2010 meeting about having a third party safe keeper to hold investments as opposed to the current process where the broker/investment bank that sold the instrument also holds it. Ms. Van Horn is proposing that the City hire a third party to hold all investments and that would mitigate the individual credit risk of the brokers. The cost would be between \$1,000 and \$2,000 per year and would be offset by the decrease in the Sympro software maintenance agreement. This will give staff time to evaluate Sympro and its reporting capabilities and consider whether it is needed. This process is recommended by GFOA and the Oregon State Treasurer's Office and our policy currently allows for this change.

This is mostly for disclosure to the Investment Council. The Investment Council agreed this was a good direction.

IV. ADJOURNMENT

With no further questions, the meeting adjourned at 8:17 a.m.

ATTACHMENTS

- A. FY 09-10 Third Quarter Treasury Summary Sheet
- B. Economic Data and Forecast
- C. Administrative Policy Manual
- D. Memo from Rhyan Van Horn

Quarterly Portfolio Summary

Balances:	December, 2009 (page 4 of Treasury Report)	March, 2010 (page 4 of Treasury Report)	Difference
Cash	40,469,176	35,105,450	-5,363,726
Investments	2,165,050	4,245,450	2,080,400
Total	42,634,226	39,350,900	-3,283,326

Returns:	December, 2009 (page 4 of Treasury Report)	March, 2010 (page 4 of Treasury Report)	Difference
Short Term Portfolio	0.69	0.57	-0.12
Long Term Portfolio	0.72	0.84	0.12
Total to Call Date	0	0	-
LGIP	0.68	0.55	-0.13

LGIP:	December, 2009 (page 5 of Treasury Report)	March, 2010 (page 5 of Treasury Report)	Difference
Cap: \$42,523,082	40,090,469	30,217,931	-9,872,538

	December, 2009 (page 4 of Treasury Report)	March, 2010 (page 4 of Treasury Report)	Difference
Treasury's 2 Year - Historical 12 Week Average:	0.86	0.89	0.03

	December, 2009 (page 4 of Treasury Report)	March, 2010 (page 4 of Treasury Report)	Difference
379 day Agency historical 12 week average	0.38	0.40	0.02

Attachment B

Economic Data and Forecast

There have been signs of economic improvement since we last met. First quarter 2010 GDP growth increased 3.2%. The previous quarter's GDP grew at 5.6%. The labor market has begun to show signs of improvement. Household and business spending is up overall, but economic recovery is still hampered by higher than normal unemployment and the prolonged lull in housing starts. Markets have been highly varied due to the rating downgrade of Greece, Spain and Portugal and the implications of that rating decision for other highly leveraged countries. All things considered, the FOMC is still expected to keep the Federal Funds rate at the current 0.25-0% range for an extended period of time. Market expectations show the FOMC rate remaining at its current level through late 2010.

CITY OF CORVALLIS

ADMINISTRATIVE POLICY MANUAL

POLICY AREA 5 - FINANCIAL MATTERS

AP 95-5.03 Investment Administrative Procedures

<u>Adopted</u>	<u>December 1, 1990</u>
Revised	February 5, 2004
Affirmed	February 3, 2005
Revised	August 4, 2005
Revised	May 3, 2007
Affirmed	February 7, 2008
Revised	August 7, 2008
Affirmed	August 8, 2008

5.03.010 Purpose

It is the purpose of these investment administrative procedures to establish and provide guidelines for the safe and efficient management of City funds and the purchase and sale of investment instruments. The goal is to minimize risk and ensure the availability of cash to meet expenditures, while minimizing the occurrence of idle funds.

5.03.020 Scope

Administrative Policy 95-5.03

5.03.021 These investment administrative procedures apply to all cash-related assets included within the scope of the City's audited financial statements and held directly by the City. Funds held and invested by trustees or fiscal agents are excluded from these administrative procedures; however, such funds are subject to the regulations established by the State of Oregon.

5.03.022 Funds of the City will be deposited and invested in accordance with statutes, ordinances, and policies governing the City of Corvallis and will be in compliance with the provisions of Oregon Revised Statutes (ORS) 294.035 through 294.048, ORS 294.125 through 294.155, ORS 294.810, and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax-exempt borrowing proceeds and of any debt service funds will comply with the relevant provisions of the Internal Revenue Code of 1986, as amended, and regulations adopted thereunder.

5.03.030 Objectives

The City's investment objectives are:

- a. Preservation of capital and the protection of investment principal.
- b. Conformance with Federal, State, and other legal requirements.
- c. Maintenance of sufficient liquidity to meet operating requirements.
- d. Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.
- e. Attainment of a market rate of return throughout budgetary and economic cycles.
- f. Investment purchases made with the intent to hold until maturity.

5.03.040 Procedures

Administrative Policy 95-5.03

5.03.041 Responsibility

- a. The authority for investing City funds is vested with the City Manager, who, in turn, may designate the Finance Director as Treasurer to manage the day-to-day operations of the City's investment portfolio, place purchase orders and sell orders with dealers and financial institutions, and prepare reports as required.
- b. To assist the City Manager in carrying out the management responsibility for the investment program, the City Manager's Investment Council has been created by the City Council through the Financial Policies, Investment Policy. The Investment Council shall be composed of the City Manager, the Finance Director, the City Attorney, and a citizen of the City of proven integrity and business ability. The City Council President, or the Council Vice President, if the Council President is unable to serve, shall serve *ex-officio* as a voting member.
- c. The City Manager's Investment Council is responsible for advice with respect to investment decisions, activities, and the establishment of written administrative procedures for the investment operations. Monitoring of the portfolio shall be performed by the Investment Council at least quarterly and verified by the City's independent auditor at least annually. The Investment Council shall review investment reports, investment strategies, investment holdings, banking relationships, and the legality and probity of investment activities.
- d. The Finance Director, acting by authority of the City Manager, is the Treasurer and, as such, is responsible for the daily administration of investments and shall evaluate all investment opportunities with respect to these investment administrative procedures.

5.03.042 Prudence and Ethics

- a. Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. Investment decisions shall be made within the objectives outlined in this investment administrative procedure.
- b. The standard of prudence to be used by investment officials shall be the "prudent investor," as described above, and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance

Administrative Policy 95-5.03

with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

- c. Regarding ethics and conflicts of interest, officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interest (excluding mortgage, checking, and savings accounts) in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the City's investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS 244.

5.03.043 Investment Diversification

The Finance Director will diversify the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, ~~purchasing~~ ***[investing in securities]*** from several different financial institutions ~~or brokers~~ to reduce the chance of loss and varying maturity length to ensure availability of funds to meet cash needs.

- a. Diversification by Investment Type
 - 1. The funds of the City may be invested in the following instruments at the percentages indicated. All fall within the legal limits of Oregon Revised Statutes.

<u>Instrument</u>	<u>Maximum of Portfolio</u>
U. S. Treasury Obligations (Bills, Notes, Bonds)	100%

Administrative Policy 95-5.03

U. S. Government Agency Securities and Instrumentalities of Government-sponsored Corps.	75%
State of Oregon Investment Pool	100%
Banker's Acceptances (BA's)	25%
Repurchase Agreements (Repo's) (Maximum 90 days' maturity)	25%
Certificates of Deposit (CD) or Other Liquid Deposit/Investment Checking Accounts (Commercial Banks in Oregon insured by FDIC) [at Oregon State Treasury Qualified Financial Institutions only]	25%
Commercial Paper (CP) Financial institution, holding company, or business enterprise with a credit rating from a nationally recognized statistical rating organization of no less than A-1/P-1. A company on negative credit watch would not be considered for purchases. (Maximum 120 days maturity)	25%
Investment Sweep Account No more than 15% of the total portfolio in one sweep fund. The individual investments in the sweep vehicle are to be approved per ORS 295.	15%
State of Oregon and State of Washington and Local Government Securities thereof with AA ratings or better	25%

Administrative Policy 95-5.03

2. Relative safety and liquidity of each investment type determine the appropriate percentage of the portfolio. Investments are arranged approximately by level of risk, with the safest investments first. State and local government securities are relatively low risk but also low interest. They will generally only be used to avoid arbitrage.
3. Oregon Revised Statutes allow several other investment types for municipalities that are not appropriate for the City's portfolio and are not included within the scope of these administrative procedures, including: general obligation securities of the states of Idaho and California, share accounts and saving accounts in credit unions for a deferred compensation plan, life insurance and annuity contracts with insurance companies for funding deferred compensation, and trusts for deferred compensation.

b. Diversification by Financial Institution

1. The combination of CD's, BA's, Repurchase Agreements, and CP may not exceed 25% of the total portfolio with any one financial institution.
2. Banker's Acceptances (BA's)
No more than 25% of the total portfolio with any one qualified financial institution; i.e. must have an Oregon operation/branch.
3. Commercial Paper (CP) – Businesses carrying a minimum A1/P1 credit rating from a nationally recognized statistical rating organization.
No more than 5% of the total portfolio with any one corporate entity.
4. Certificates of Deposit (CD's) or Other Liquid Deposit/Investment Checking Accounts ~~—Commercial Banks~~ **[at Oregon State Treasury Qualified Financial Institutions only]**
No more than 15% of the total portfolio with any one financial institution. ***[Deposit type securities (i.e.; Certificates of Deposit) are designated as cash management tools and are not investments under this policy.]***
5. Repurchase Agreements (Repo's)

Administrative Policy 95-5.03

No more than 15% of the total portfolio with any one institution; a master repurchase agreement is required substantially in the form of the current recommended master agreement of the Public Securities Association.

6. State and Local Government Securities
No more than 15% of the total portfolio in any one entity.
7. State of Oregon Investment Pool
The lesser of either City policy which allows no more than 100% of the total portfolio or ORS 294.810 provisions. The limitation shall not apply to either funds which are placed in the investment pool on a pass-through basis or to funds invested on behalf of another government unit. Pass-through funds must be removed within ten business days.
8. U.S. Government Agencies
No more than 40% of the total portfolio in any one agency.
9. Investment Sweep Accounts
No more than 15% of the total portfolio in one sweep fund. The individual investments in the sweep vehicle are to be approved per ORS 295.

c. Diversification by Maturity

1. Investment maturity placement decisions are made based upon projected cash flow requirements. The greatest emphasis of the investment program is placed on the Short-Term Portfolio, investment maturities of 18 months and less. Ongoing analysis is performed to ensure short-term liquidity is consistent with projected cash flow needs.
2. After liquidity needs are covered, and as opportunities arise, long-term placement of investment maturities will be considered. The Long-Term Portfolio is defined as "investment maturities over 18 months and a maximum of five years." Long-Term Portfolio placement decisions shall be carefully

Administrative Policy 95-5.03

scrutinized and made utilizing long-term cash flow requirements, such as trust funds (expendable and non-expendable), capital projects, debt service, and long-range financial planning processes.

3. Short-Term Portfolio

- (75% Minimum of the City Portfolio)
- (18 months and under)

The short-term portfolio shall consist of all investments that mature within 18 months. The total short-term portfolio shall not be less than 75% of the total City portfolio. Funds in the State of Oregon Local Government Pool are considered part of the short-term portfolio, as they are available within 48 hours.

To ensure sufficient liquidity for emergencies or other unforeseen cash needs, the City shall keep approximately 15% of the overall City portfolio as a minimum target balance in the State Pool or approximately 10% of the overall City portfolio in the State Pool with an additional 5% of the portfolio maturing within one to 60 days. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs.

4. Long-Term Portfolio

- (25% Maximum of the City Portfolio)
- (Over 18 months and a maximum of five years)

The Long-Term Portfolio is defined as "investment maturities over 18 months and a maximum of five years." The total long-term portfolio shall not be more than 25% of the total City portfolio.

Long-Term Portfolio placement decisions shall be carefully scrutinized and made, utilizing cash flow requirements, such as trust funds (expendable and non-expendable), capital projects, debt service, and long-range financial planning processes.

5.03.044 Monitoring and Adjusting the Portfolio

Administrative Policy 95-5.03

The Finance Director shall routinely monitor the contents of the portfolio, the available markets, and the relative value of competing instruments and will adjust the portfolio accordingly. The City shall not borrow money solely for the purpose of purchasing an investment to obtain additional interest earnings.

5.03.045 Competitive Selection of Investment Instruments

- a. Before the City invests any surplus funds or divests of investments prior to maturity, competitive bids to sell or offers to buy shall be obtained from a minimum of three authorized brokers/dealers. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments which meet the maturity requirement. If no specific maturity is required, a market trend (yield curve) analysis will be conducted and utilized in conjunction with an analysis of economic trends to determine which maturities would be most advantageous. Yield curve analysis will also be conducted to determine economics of divesting of existing investments prior to maturity.
- b. Bids/offers will be requested from financial institutions for various options with regard to term and instrument. The City will accept the bid/offer which provides the optimal price when selling securities or investing funds within the scope of these administrative procedures. Purchases shall be in compliance with investment administrative procedures at the time of purchase.
- c. Records will be kept of the bids/offers made, the bid(s)/offer(s) accepted, and a brief explanation of the decision which was made regarding the investment. The Investment Council will be advised in the relevant monthly report of any sale of investment(s) prior to maturity, including details of the competitive offers made and the award decision criteria.
- d. With respect to security swaps (where the proceeds from the sale of a security in the portfolio prior to its maturity are used to purchase another acceptable security of like term to maturity), the minimum net gain to cover administrative costs must be \$5,000.

5.03.046 Qualified Institutions

- a. The City shall maintain a listing of all authorized dealers and financial institutions which are approved for

Administrative Policy 95-5.03

investment purposes. Any firm is eligible to apply to provide investment services to the City and will be added to the list if the selection criteria are met. Additions or deletions to the list will be made by the Finance Director and reviewed by the Investment Council.

b. Selection Criteria:

1. Banks must be qualified public depositories as prescribed by Oregon state law (ORS 295.005(4) and 295.025) and must meet or exceed the requirements outlined therein.
2. Banks and dealers/brokers must have a branch located in Oregon.
3. The broker/dealer must provide services routinely to public entities in Oregon.
4. The broker/dealer must be knowledgeable of Oregon governmental investments statutes and the City of Corvallis' Investment Policy.
5. Banks and brokers/dealers must complete the Bank and Broker/Dealers Questionnaire and Certification.
6. Be approved by the City of Corvallis Investment Council at the next quarterly meeting before conducting investment business with the City.
7. An updated Broker/Dealer Questionnaire will be mailed to each firm annually and should be completed and returned with audited annual financials to the Treasury Account. Failure to complete the updated questionnaire in a timely manner will lead to removal from the approved list.
8. ***[Any broker/dealer that is on the City's authorized list may be removed from said list if the City has not purchased from the broker/dealer during a period of three years.]***

5.03.047 Safekeeping and Collateralization

- a. Investment securities purchased by the Finance Director will be delivered by either book entry or physical

~~delivery~~ and held in a segregated account for the City's benefit by the financial institution designated as custodian. The City may use a third-party financial institution for safekeeping and custody, as deemed appropriate. The purchase and sale of all securities will be on a delivery-versus-payment basis. The custodian shall issue a safekeeping receipt to the Finance Department listing the specific instruments, rate, maturity, and other pertinent information. All repurchase agreements require a master repurchase agreement.

- b. Repurchase agreement collateral is limited in maturity to three years by ORS and should be priced according to the following adopted policy of the Oregon Investment Council:

U. S. Treasury Securities	102%
U. S. Agency Discount and Coupon Securities	102%
Mortgage Backed and Other (as allowed)	103%

- c. ~~Deposit-type securities (i.e., certificates of deposit) shall be collateralized through the State Public Funds Collateralization Program as required by ORS for any amount exceeding FDIC coverage, recognizing that ORS requires a minimum of 10% collateral for well-capitalized depositories and a maximum of 110% for undercapitalized depositories, as determined by FDIC capitalization reporting.~~ The City shall verify that deposit accounts **[including Certificates of Deposit]** in excess of FDIC's insurance cap are only maintained at Oregon State Treasury qualified financial institutions. **[Such accounts shall be collateralized through the State Public Funds Collateralization Program as required by ORS for any amount exceeding FDIC coverage, recognizing that ORS requires a minimum of 10% collateral for well-capitalized depositories and a maximum of 110% for undercapitalized depositories. Capitalization is determined through FDIC reporting requirements. The Oregon State Treasury determines required levels of collateralization for qualified financial institutions based on ORS capitalization requirements, market conditions, and an institution's overall financial status.]** The City will report annually to the Oregon State Treasury (by July 15th of each year), or within ten days of a change, the financial institutions the City does business with. The City will also provide contact information to the Oregon State Treasury as required by ORS. Other investments shall be collateralized by the actual security held in safekeeping ~~by the primary agent.~~

5.03.048 Internal Controls

Administrative Policy 95-5.03

The Finance Director shall maintain a system of written internal controls, which shall be reviewed by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions. The internal controls will be updated at a minimum biennially or as necessitated by system changes.

5.03.049 Accounting Method

- a. The City will comply with required legal provisions and generally accepted accounting principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies, including, but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), as they apply to governmental entities.

- b. All City funds are combined to make investment purchases on a "pooled basis." Each City fund owns a proportional share of the City's total investment portfolio based upon the individual fund's cash balance as a proportion of the total City cash balance. No investment is identified with a particular fund. Investments are stated at cost or amortized cost on a "pooled basis." Gains or losses from investments will be credited or charged to investment income at the time of the sale. Interest earnings are distributed to the various individual City funds according to the fund's proportional share of the total City cash balance.

5.03.050 Reporting Requirements

- a. The Finance Director shall submit an Annual Statement of Compliance with Council Investment Policy to the Investment Council, noting compliance with Council policies. This statement shall be filed by August 1st of each year.

- b. The Finance Director shall submit the written investment internal control procedures to the Investment Council when significant revisions are made.

- c. The Finance Director shall provide the Investment Council with a Monthly Investment Report reviewing compliance with these investment administrative procedures and providing data on investment instruments being

Administrative Policy 95-5.03

held, as well as any narrative necessary for clarification. The Monthly Investment Report shall be issued within 21 days after the end of the monthly reporting period. At a minimum, the following information shall be provided for each investment or security:

- Issuer or broker/dealer (financial institution);
- Type of investment;
- Certificate or other reference number, if applicable;
- Percentage yield on an annualized basis;
- Purchase date;
- Call date (if applicable);
- Maturity date;
- Purchase price;
- Sale prior to maturity, including details of the competitive offers made and the award decision criteria;
- Current market value;
- Total cost of the City's portfolio;
- Total market value of the City's portfolio (including GASB 31 gain/loss);
- Weighted average term to maturity;
- Investment activity (purchases and maturities);
- Liquidity analysis;
- Compliance monitoring data;
- ***[Competitive bid results for investment purchases]***

5.03.060 Performance Evaluation

5.03.061 The overall performance of the City's investment program shall be evaluated by the Investment Council at the scheduled quarterly meeting using the objectives outlined in these administrative procedures.

5.03.062 The monthly performance of the City's portfolio shall be measured by comparison to appropriate benchmarks for each of the maturity sections (Short-Term and Long-Term).

Administrative Policy 95-5.03

5.03.063 The Short-Term Portfolio (18 months and less) will use the State of Oregon Local Government Pool monthly earnings rate as a comparison.

5.03.064 The Long-Term Portfolio (over 18 months and a maximum of five years) will use the historical twelve-week average of the two-year treasury note.

5.03.070 Adoption

These investment procedures may be reviewed by the Investment Council and the Oregon Short-Term Fund Board prior to approval by the City Manager. Adoption of these procedures supersedes any other previous administrative procedures regarding the City's investment management practices.

5.03.071 Re-adoption

ORS 294.135(a) requires the annual re-adoption of a written investment policy by the governing body when investments having a maturity longer than 18 months are allowed. Therefore, these procedures shall be reviewed and re-adopted annually in February by the Investment Council.

Reviewed and Concurred

Jon S. Nelson, City Manager

Date

Attachment D

Memo

To: Investment Council
From: Rhyan Van Horn, Treasury Accountant
Date: May 12, 2010

At the February 4, 2010 Investment Council meeting, I suggested that the City adjust the investment strategy it has been following to one with more diversity in maturities (this is referred to as a “laddered” portfolio). I committed to presenting my recommended changes to the Investment Council at the following meeting in May. This memo covers the strategy changes I am recommending.

There are two main reasons the City should consider adjusting its current investment strategy to one that provides a more diverse maturity range. First, both the Government Finance Officer’s Association (GFOA) and the Oregon State Treasury (OST) investment policy guidelines recommend diversification not only by institution, but also by maturity. By keeping close to 100% of the City’s portfolio in liquid assets, primarily the LGIP, the City has not been diversifying by maturity.

Second, diversification by maturity can create opportunities for sustained earnings during periods of market fluctuations. Buying investments that are earning less than the LGIP at the time of purchase, but bought before or during a market downturn will likely result in higher earnings from the investment than from the LGIP towards the end of the investment’s maturity. Of course, this also means that buying investments that are earning more than the LGIP during a market upturn can result in higher earnings from the investment than the LGIP in the short term, but lower earnings than the LGIP toward the end of the investment’s maturity. While this sounds risky, it is a risk that is inherent in investing. The very act of diversifying the City’s portfolio by maturity is designed to attempt to mitigate this risk by balancing opportunities for short and longer-term earnings with liquidity.

In February, I mentioned that this would not be a new approach for the City. In fact, by looking back only a few years, data shows that the City was following a strategy with diversified investment maturities. This is exemplified in **Graph A**.

Graph A is a historical comparison of the following:

- Total Portfolio Balance (Investments + LGIP + Umpqua MMA + Cash)
- Liquidity Balance (Total Portfolio Balance minus Investments)
- historical expenditures by month
- LGIP balance cap (the maximum amount the City can deposit with the LGIP)
- suggested minimum liquidity for the City based on the comparison of Expenditures to Total Portfolio Balance.
- please note that the spike in expenditures just after July 2005 is due to the issuance of Pension Obligation Bonds and is not indicative of historical expenditure patterns.

Between 2004 and 2007 the Total Portfolio Balance and Liquidity Balance are quite different. This difference represents the non-liquid investment balance. Additionally, the investment balances followed cash flow needs. As Portfolio Balances decreased, so would the investment balance. This provided the City with the liquidity required to cover expenditures while still maintaining some longer term investments.

Between July of 2007 & 2008 the Liquidity Balance begins to follow the Total Portfolio balance. This represents a change in the investment strategy from maintaining a portion of the portfolio in non-liquid investments based on liquidity needs to a strategy that only invested in non-liquid investments when liquid investment options were exhausted. (Note: Between July of 2007 & July of 2008 the Liquidity Balance exceeds the LGIP cap. The difference represents the other liquid investments i.e., Umpqua MMA available to the City plus any cash balances).

Graph B is an example of what the future portfolio composition might look like after implementing the strategy change I am recommending. Please note that future Portfolio Balances were based on historical monthly changes in the City's LGIP balance and do not represent future cash flow needs or balances. Once the FY 10/11 budget cash flows have been completed (late May), accurate data for FY 10/11 liquidity needs will be available as a tool for cash flow analysis.

The key changes in the City's investment strategy that would move from the end of Graph A to Graph B involve diversification by maturity while accounting for liquidity needs. In other words, Staff would begin to purchase more investments to "ladder" the portfolio. This change would occur gradually as Staff follow this process:

- Use budget data (cash flow projections) to project future liquidity needs.
- Establish necessary investment maturities based on liquidity needs.
- Monitor available investments that fit maturity needs and policy requirements; make purchases when conditions are favorable. Compare yield to maturity on potential investments to the treasury yield curve. The treasury yield curve is a widely recognized benchmark for future interest rates. **Graph C** shows a current example of the yield curve (April 11th, 2010 compared to March 11, 2010 yields with maturities from 3 months to 2 years).
- By comparing yield to maturity on potential investments, Staff can determine if yields on potential investments are inline with market expectations for interest rates.

As with any investment decision, it is important to understand the risks involved. That being said, this change in strategy would not expose the City to any additional risk. In fact, the purpose of this change is to mitigate the risk that market fluctuations pose to the City's portfolio. That risk presents itself in the form of unstable interest earnings.

Under the current strategy of investing the majority of funds in the LGIP and similar liquid investments, the City is over exposed to the short term market risk. As interest rates decreased, the City's interest earnings also decreased.

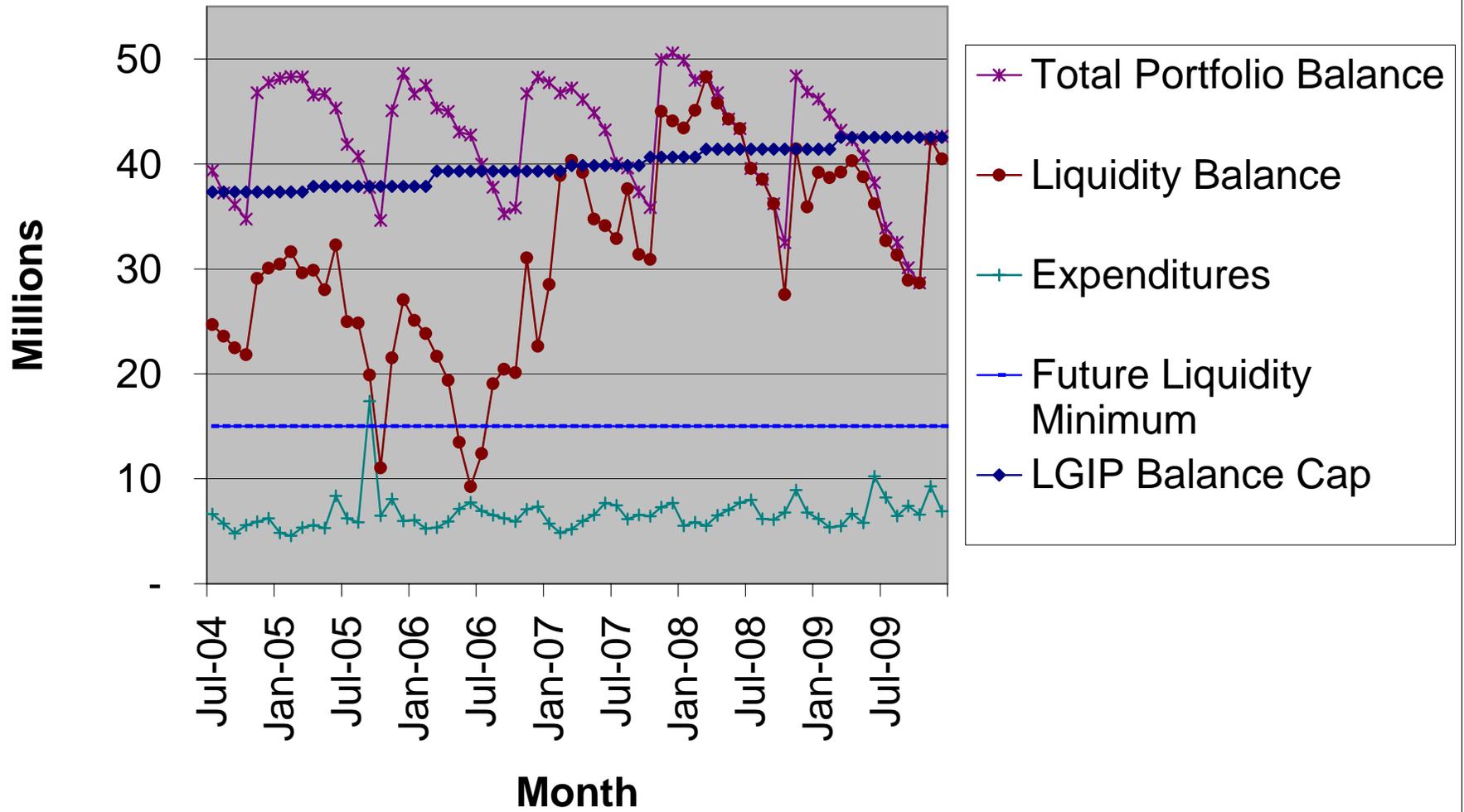
With the suggested change to a laddered portfolio, rates on mid-term investments (18 to 24 month maturities) would balance market fluctuations that quickly affect liquid investment vehicles like the LGIP. As liquid investment rates decrease, longer term investment rates will buoy the lower rates helping to provide stable interest earnings.

Conversely, as liquid investment rates increase, there is a chance that longer term investments will look like "bad" decisions. For example, a two year Agency purchased today with a yield to maturity of 0.90 would be a reasonable investment choice when the LGIP rate is at 0.55%. When compared to the current yield curve (Graph C), markets expect rates to be 0.85-1.05% in two years. But, if rates increase faster than current market expectations, to the casual observer, it might appear that a poor investment decision was made. What is important to remember is that maintaining the discipline of a laddered portfolio will lead to stabilized interest earnings and hedge against short and long term market risk. At times, it may appear that investments were purchased at rates that, in hindsight, are no longer favorable. But, with competitive bids and a yield curve analysis, Staff can document that, at the time of purchase, the best decision was made given the existing market conditions.

In conclusion, I believe that the City's investment strategy should no longer be to maximize LGIP (or other liquid investment vehicle) balances. I propose that the City return to its previous practice of determining liquidity needs and making investment decisions based on necessary maturity dates. Once maturity dates have been determined, investment options should be evaluated based on market conditions (yield curve analysis). By implementing this change the City will remain inline with current policy guidelines and return to following the recommended practices of both GFOA and OST. The results of this change will be seen in stabilized interest earnings.

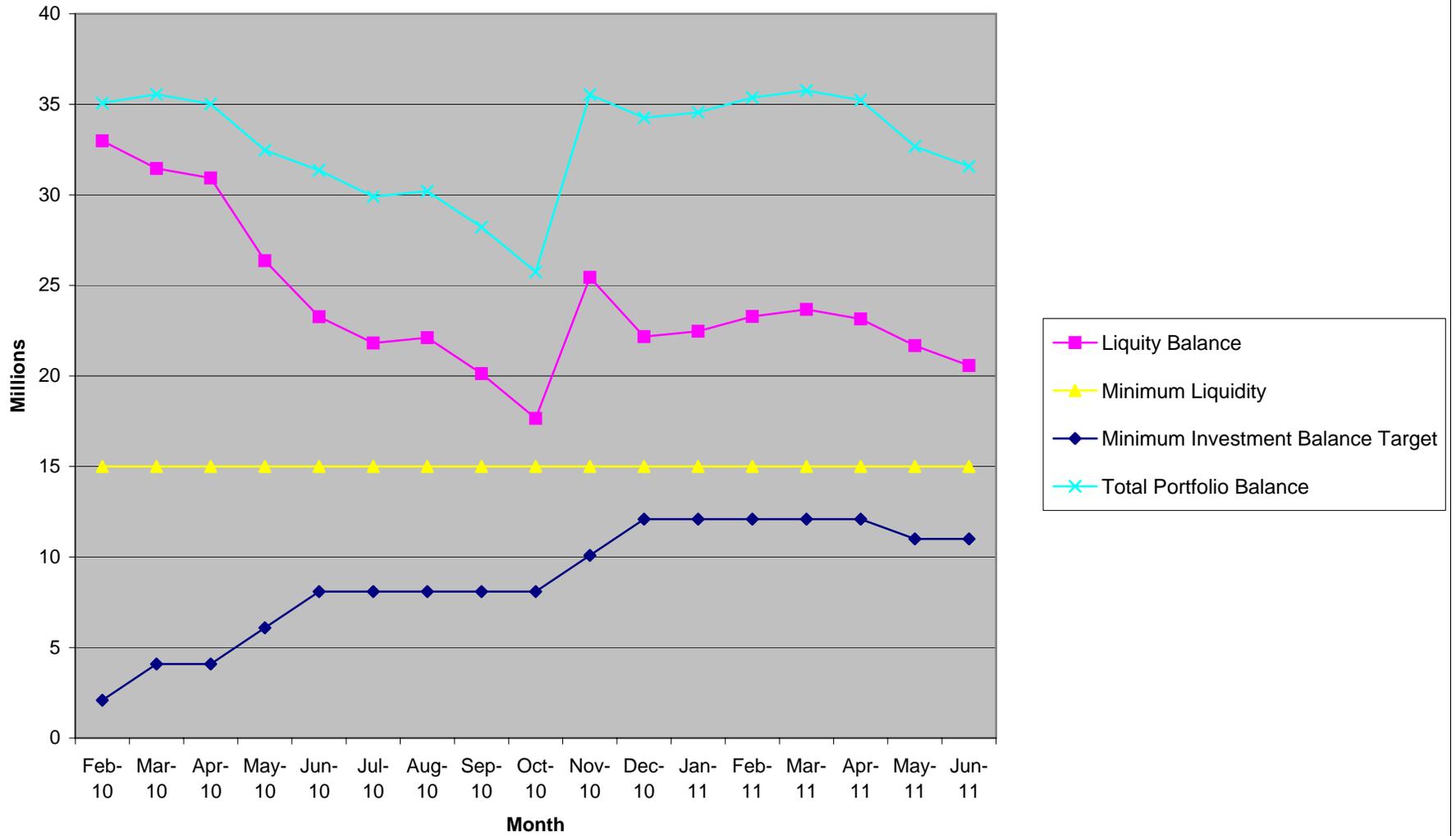
Graph A

Portfolio Balance vs. Expenditures



Graph B

**Example of Future Portfolio Composition
(based on historical net change in LGIP balance)**



Graph C

<HELP> for explanation.

Corp **CG**

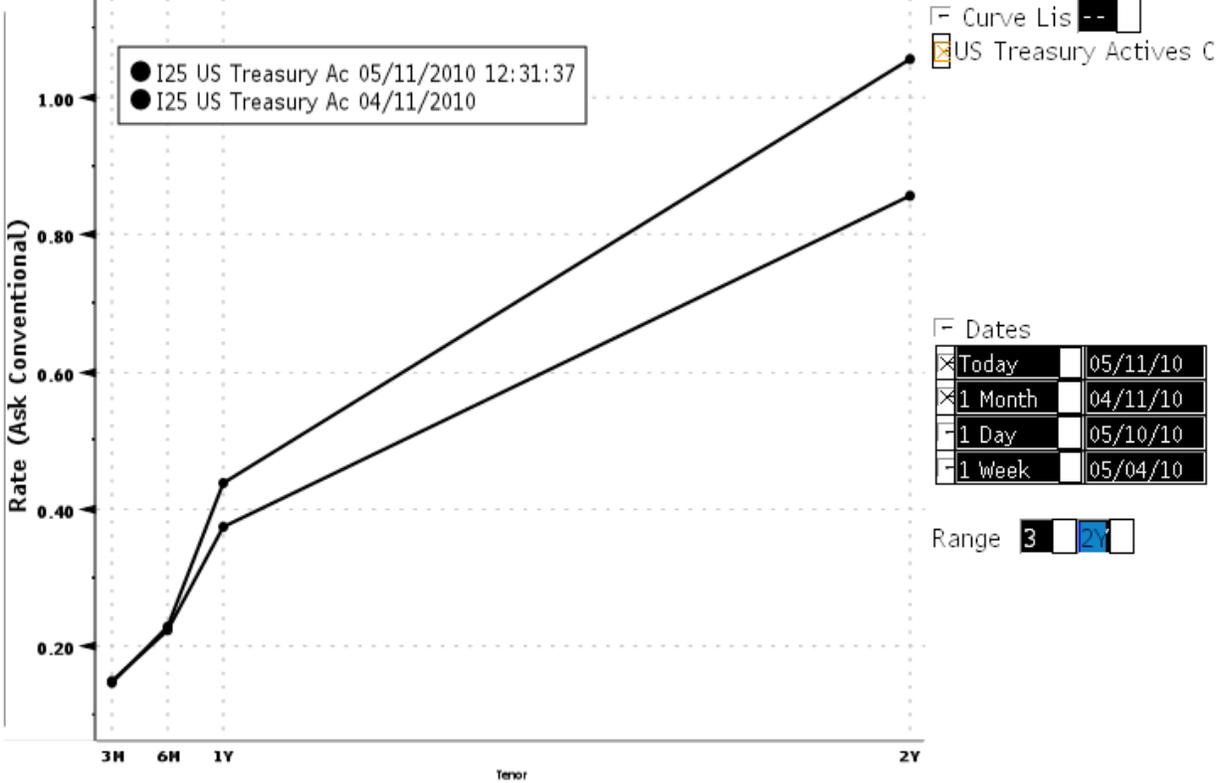
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90) Actions 91) Mode 92) Display

Curve Graph Page 1/

Term Structure - US Treasury Actives Curve

Graph



Curve Lis --

US Treasury Actives C

Dates

Today	05/11/10
1 Month	04/11/10
1 Day	05/10/10
1 Week	05/04/10

Range 3

11) Term	12) Change	13) Spread	14) Tenors	15) Tenor Spread	16) Crossmarket	17) Butterfly	18) << 3D >>
Australia 61 2 9777 8600	Brazil 5511 2048 4500	Europe 44 20 7320 7500	Germany 49 69 9204 1210	Hong Kong 852 2977 6000	Japan 81 3 3201 8900	Singapore 65 6212 1000	U.S. 1 212 318 2000

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MEMORANDUM

May, 27, 2010

To: Investment Council
From: Rhyan Van Horn, Treasury Accountant
Subject: Treasury Report – April

The Treasury Report provides an overview of general economic conditions that may affect interest rates and summarizes the activity of the City's portfolio for April 2010. Local economic data is provided for comparison. Staff reviews market conditions and trends to assist in making investment decisions. The City's primary investment objective is preservation of capital, then liquidity, then yield. Investments are purchased under the requirements of ORS and the City's investment policy. Cash flow is projected to forecast that the City's portfolio has sufficient liquidity to meet the City's obligations.

In a statement released on April 28, the Federal Open Market Committee (FOMC) declared that economic activity continued to strengthen since their March meeting. Additionally, the labor market is beginning to improve. Household spending is expanding, but is held back by high unemployment, modest income growth, lower housing wealth and tight credit. Current FOMC statements indicate that rates will remain at the current range of 0-.25% for an extended period. Low rates of resource utilization, subdued inflation trends, and stable inflation expectations provide further justification for maintaining the current exceptionally low levels of the federal funds rate. Due to improved functioning of financial markets, the FOMC states that it has closed all but one of the liquidity facilities it created to stabilize markets during the crisis. The only remaining program, the Term Asset-Backed Loan Facility, is scheduled to close on June 30th of this year for loans backed by new-issue commercial mortgage-backed securities.

Looking locally at the economy, the University of Oregon Index of Economic Indicators showed a further increase in its March analysis. The index increased 0.2% in March from a revised February figure of 88.7. The pace of improvement slowed compared to the previous month, but all indicators improved compared to six months ago. While the recovery appears sustainable and hiring is expected to increase, the pace of growth indicates slow improvements in unemployment.

The most current consumer price index (CPI-U) press release noted that CPI-U decreased 0.1% in April. The index has increased 2.2% over the last 12 months on an unadjusted basis. The core CPI-U (excluding food and energy costs) was unchanged in April, and has increased 0.9% annually on an unadjusted basis. Locally, the Oregon Employment Department of Workforce and Economic Research is currently estimating the CPI-U for the Portland-Salem area to be 0.5% for the second half of 2009.

In April, housing starts decreased to 606,000 from March's revised number of 685,000. April 2010 housing starts are 15.9% above the April 2009 rate of 523,000. April 2010 single family building permits totaled 484,000; this is 10.7% below the revised March figure of 542,000. Permits for privately owned housing units increased 5.8% from March's revised estimate of 635,000. This is 40.9% above April 2009 levels. Looking at Corvallis housing data, single-family building permits issued in 2010 increased 43% over April 2009 numbers. The total number of

permits issued was 13 in April 2010, compared to 12 in the prior year.

The April unemployment rate increased to 9.9%. Non-farm payroll employment increased by 290,000. Oregon's seasonally adjusted unemployment rate for April remained unchanged from March at 10.6%. For the Corvallis Metropolitan Statistical Area (MSA), this rate remained constant at 7.5%. Corvallis is the only Oregon MSA with a seasonally adjusted unemployment rate less than 10%.

The City's April 30th total portfolio balance was \$37,980,317, a decrease of \$1,408,763 from the March 31st total of \$39,389,080.

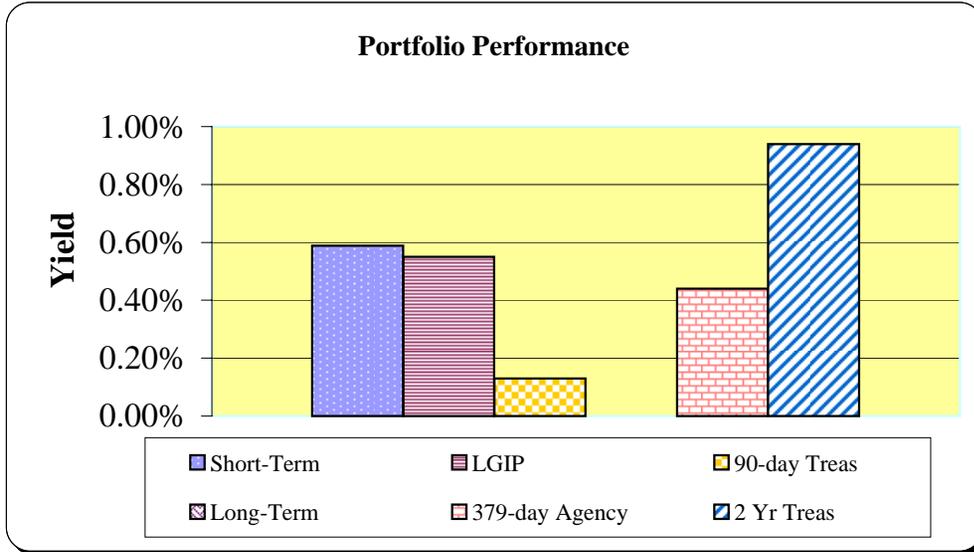
The short-term portfolio performance for April was 0.59% as compared to March's 0.57 % return. The City currently has no long term investments. As of April 30, 74% of the City's portfolio is invested in the Local Government Investment Pool (LGIP). As of

February the LGIP rate was .55%. 11% of the City's portfolio is invested in federal agency securities maturing in less than 18 months. 8% of the City's portfolio is held at an Umpqua Bank money market account that guarantees a return equal to that of the LGIP plus 10 basis points. As of April 30th, the remainder of the City's portfolio was held in the City's checking account to manage pending expenditures.

April receipts were lower than projected (by \$211 thousand). The entire amount of the difference can be attributed to Federal and State Grant monies that have yet to be received. Disbursements were lower than expected (by \$1.4 million), which can be attributed to Capital Improvement Projects proceeding on a different schedule than originally budgeted.

Staff will continue to evaluate interest rates, analyze cash flow needs, and select investments as appropriate.

City of Corvallis Investment Portfolio Summary April 30, 2010



Total Cash (1)	33,730,325.14
Total Investments (2)	4,245,450.00
Total Cash & Investments	37,975,775.14
Prepaid Interest (3)	4,541.67

Total Book Value of Cash & Investments 37,980,316.81

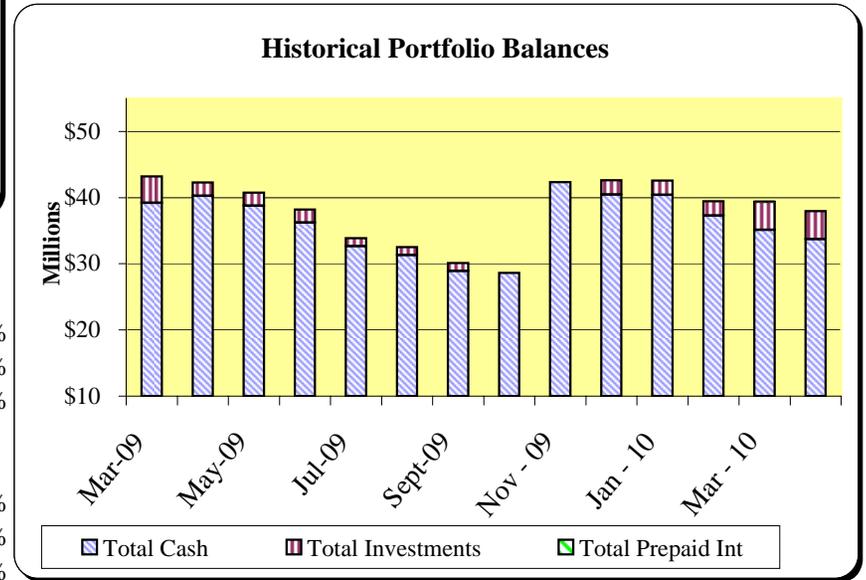
Portfolio Performance

Short-term Investment Portfolio (less than 540 days to maturity)
Local Government Investment Pool
90-day Treasury Note - Historical 12 week average

Long-term Investment Portfolio (greater than 548 days to maturity)
379-day Agency Discount Note
2 Year Treasury Note - Historical 12 week average

0.59%
0.55%
0.13%

0.00%
0.44%
0.94%



- (1) All balances are unaudited and represent month-end bank balances. Reconciliations are done for each bank statement to tie to the City's general ledger balance.
- (2) Securities are valued at the original cost of investment.
- (3) The portion of interest prepaid at security purchase for the income accumulation since the last coupon.



MONTHLY TREASURY REPORT
Portfolio Management
Portfolio Summary
April 30, 2010

City of Corvallis
 500 SW Madison
 P.O. Box 1083
 Corvallis, OR 97339-1083
 (541)766-6738

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
General Checking Account	2,321,159.81	2,321,159.81	2,321,159.81	6.11	1	1	0.148	0.150
Local Government Investment Pool	28,156,372.02	28,156,372.02	28,156,372.02	74.16	1	1	0.542	0.550
Money Market Account	3,242,861.31	3,242,861.31	3,242,861.31	8.54	1	1	0.641	0.650
Federal Agency Coupon Securities	4,090,000.00	4,222,462.10	4,245,450.00	11.18	556	467	0.782	0.793
Investments	37,810,393.14	37,942,855.24	37,965,843.14	100.00%	63	53	0.554	0.561
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	9,932.00	9,932.00	9,932.00		1	1	0.000	0.000
Accrued Interest at Purchase		4,541.67	4,541.67					
Subtotal		14,473.67	14,473.67					
Total Cash and Investments	37,820,325.14	37,957,328.91	37,980,316.81		63	53	0.554	0.561

Total Earnings	April 30 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year	27,086.09	229,762.51	
Current Budget	69,770.00	672,600.00	876,120.00
Last Year Actual	249,819.00	905,645.00	1,257,298.00
Average Daily Balance	39,305,062.80	37,029,636.17	
Effective Rate of Return	0.84%	0.74%	

Rhyan Schaub, Treasury Accountant

MONTHLY TREASURY REPORT
Portfolio Management
Portfolio Details - Investments
April 30, 2010

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
General Checking Account												
SYS1004	1004	Bank of America			2,321,159.81	2,321,159.81	2,321,159.81	0.150		0.150	1	
Subtotal and Average			1,659,280.32		2,321,159.81	2,321,159.81	2,321,159.81			0.150	1	
Local Government Investment Pool												
SYS4031	4031	State of Oregon LGIP			28,156,372.02	28,156,372.02	28,156,372.02	0.550		0.550	1	
Subtotal and Average			30,149,213.02		28,156,372.02	28,156,372.02	28,156,372.02			0.550	1	
Money Market Account												
SYS1003	1003	Umpqua Bank			3,242,861.31	3,242,861.31	3,242,861.31	0.650		0.650	1	
Subtotal and Average			3,241,187.47		3,242,861.31	3,242,861.31	3,242,861.31			0.650	1	
Federal Agency Coupon Securities												
SYS31331Y3P	1508	Federal Farm Credit Bureau		03/26/2010	2,000,000.00	2,075,620.00	2,080,400.00	3.500		0.832	520	10/03/2011
3133XUJX2	1505	Federal Home Loan Bank		12/09/2009	1,000,000.00	1,008,130.00	1,010,740.00	1.375	Aaa	0.721	461	08/05/2011
3133X7C69	1507	Federal Home Loan Bank		12/15/2009	1,090,000.00	1,138,712.10	1,154,310.00	5.000	Aaa	0.787	377	05/13/2011
Subtotal and Average			4,245,450.00		4,090,000.00	4,222,462.10	4,245,450.00			0.793	467	
Total and Average			39,305,062.80		37,810,393.14	37,942,855.24	37,965,843.14			0.561	53	

MONTHLY TREASURY REPORT
Portfolio Management
Portfolio Details - Cash
April 30, 2010

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Petty Cash & Change Funds											
SYS1001	1001	City of Corvallis - Petty Cash			9,932.00	9,932.00	9,932.00			0.000	1
		Average Balance	0.00	Accrued Interest at Purchase		4,541.67	4,541.67				1
				Subtotal		14,473.67	14,473.67				
Total Cash and Investments			39,305,062.80		37,820,325.14	37,957,328.91	37,980,316.81			0.561	53

MONTHLY TREASURY REPORT
Portfolio Management
Activity By Type
April 1, 2010 through April 30, 2010

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
General Checking Account (Monthly Summary)								
SYS1004	1004	Bank of America		0.150		9,215,253.82	8,530,550.90	
		Subtotal	1,636,456.89			9,215,253.82	8,530,550.90	2,321,159.81
Petty Cash & Change Funds (Monthly Summary)								
		Subtotal	9,932.00					9,932.00
Local Government Investment Pool (Monthly Summary)								
SYS4031	4031	State of Oregon LGIP		0.550		3,323,461.91	5,385,021.56	
		Subtotal	30,217,931.67			3,323,461.91	5,385,021.56	28,156,372.02
Money Market Account (Monthly Summary)								
SYS1003	1003	Umpqua Bank		0.650		1,731.56	0.00	
		Subtotal	3,241,129.75			1,731.56	0.00	3,242,861.31
Federal Agency Coupon Securities								
		Subtotal	4,245,450.00					4,245,450.00
		Total	39,350,900.31			12,540,447.29	13,915,572.46	37,975,775.14

MONTHLY TREASURY REPORT
Portfolio Management
Activity Summary
April 2009 through April 2010

Month End	Year	Number of Securities	Total Invested	Yield to Maturity		Managed Pool Rate	Number of Investments Purchased	Number of Investments Redeemed	Average Term	Average Days to Maturity
				360 Equivalent	365 Equivalent					
April	2009	6	42,283,237.00	1.129	1.144	1.160	2	2	8	7
May	2009	6	40,759,372.04	1.019	1.033	1.029	0	0	8	6
June	2009	6	38,203,008.24	0.976	0.990	0.988	0	0	8	5
July	2009	5	33,878,416.38	0.929	0.942	0.930	0	1	7	4
August	2009	5	32,519,513.58	0.833	0.845	0.830	0	0	8	3
September	2009	5	30,094,946.21	0.781	0.792	0.778	0	0	8	2
October	2009	4	28,638,818.42	0.730	0.740	0.750	0	1	1	1
November	2009	4	42,342,522.95	0.688	0.697	0.702	0	0	1	1
December	2009	6	42,615,017.14	0.677	0.687	0.684	2	0	29	28
January	2010	6	42,578,076.64	0.591	0.599	0.618	0	0	29	27
February	2010	6	39,444,426.50	0.551	0.559	0.550	0	0	31	27
March	2010	7	39,340,968.31	0.560	0.568	0.550	1	0	61	55
April	2010	7	37,965,843.14	0.554	0.561	0.550	0	0	63	53
Average		6	37,743,397.43	0.771%	0.781%	0.778	0	0	20	17

MONTHLY TREASURY REPORT
Portfolio Management
Distribution of Investments By Type
April 2009 through April 2010

Security Type	April 2009	May 2009	June 2009	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010	April 2010	Average by Period
General Checking Account	3.2	1.8	2.0	1.3	1.7	2.7	1.8	0.9	0.3	5.7	2.7	4.2	6.1	2.6%
Petty Cash & Change Funds														
Local Government Investment Pool	91.5	92.7	92.2	94.4	93.9	92.5	97.4	98.5	94.1	88.7	83.6	76.8	74.2	90.0%
Piper Jaffray Funds Held by Others														
Money Market Account	0.6	0.6	0.6	0.7	0.7	0.8	0.8	0.6	0.6	0.6	8.2	8.2	8.5	2.4%
Certificates of Deposit - Bank														
Certificates of Deposit - S & L														
Medium Term Notes														
Bankers Acceptances -At Cost	4.7	4.9	5.3	3.6	3.7	4.0								2.0%
Commercial Paper - Interest Bearing														
Commercial Paper Disc. -At Cost														
Repurchase Agreements														
Federal Agency Coupon Securities									5.1	5.1	5.5	10.8	11.2	2.9%
Federal Agency Disc. -At Cost														
Treasury Coupon Securities														
Treasury Discounts -At Cost														
Miscellaneous Coupon Securities														
Municipal Bonds - Disco - At Cost														
Municipal Bonds														
Rolling Repurchase Agreements														



MONTHLY TREASURY REPORT
Inventory by Maturity Report
April 30, 2010

City of Corvallis
 500 SW Madison
 P.O. Box 1083
 Corvallis, OR 97339-1083
 (541)766-6738

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
3133X7C69	1507	990	FAC	Federal Home Loan Bank	12/15/2009	1,154,310.00	5.000	05/13/2011	1,090,000.00	514	1,090,000.00	0.776	0.787	377
3133XUJX2	1505	990	FAC	Federal Home Loan Bank	12/09/2009	1,010,740.00	1.375	08/05/2011	1,000,000.00	604	1,000,000.00	0.711	0.721	461
SYS31331Y3P	1508	990	FAC	Federal Farm Credit Bureau	03/26/2010	2,080,400.00	3.500	10/03/2011	2,000,000.00	556	2,000,000.00	0.821	0.832	520
Subtotal and Average						4,245,450.00			4,090,000.00		4,090,000.00	0.782	0.793	467
Net Maturities and Average						4,245,450.00			4,090,000.00		4,090,000.00	0.782	0.793	467



MONTHLY TREASURY REPORT
Activity Report
Sorted By Issuer
April 1, 2010 - April 30, 2010

City of Corvallis
 500 SW Madison
 P.O. Box 1083
 Corvallis, OR 97339-1083
 (541)766-6738

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Bank of America									
General Checking Account									
SYS1004	1004	Bank of America			0.150		9,215,253.82	8,530,550.90	
		Subtotal and Balance		1,636,456.89			9,215,253.82	8,530,550.90	2,321,159.81
		Issuer Subtotal	6.137%	1,636,456.89			9,215,253.82	8,530,550.90	2,321,159.81
Issuer: City of Corvallis - Petty Cash									
Petty Cash & Change Funds									
		Subtotal and Balance		9,932.00					9,932.00
		Issuer Subtotal	0.026%	9,932.00			0.00	0.00	9,932.00
Issuer: Federal Farm Credit Bureau									
Federal Agency Coupon Securities									
		Subtotal and Balance		2,000,000.00					2,000,000.00
		Issuer Subtotal	5.288%	2,000,000.00			0.00	0.00	2,000,000.00
Issuer: Federal Home Loan Bank									
Federal Agency Coupon Securities									
		Subtotal and Balance		2,090,000.00					2,090,000.00
		Issuer Subtotal	5.526%	2,090,000.00			0.00	0.00	2,090,000.00
Issuer: State of Oregon LGIP									
Local Government Investment Pool									
SYS4031	4031	State of Oregon LGIP			0.550		3,323,461.91	5,385,021.56	
		Subtotal and Balance		30,217,931.67			3,323,461.91	5,385,021.56	28,156,372.02
		Issuer Subtotal	74.448%	30,217,931.67			3,323,461.91	5,385,021.56	28,156,372.02

MONTHLY TREASURY REPORT

Activity Report

April 1, 2010 - April 30, 2010

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Umpqua Bank									
Money Market Account									
SYS1003	1003	Umpqua Bank			0.650		1,731.56	0.00	
		Subtotal and Balance		<u>3,241,129.75</u>			<u>1,731.56</u>	<u>0.00</u>	<u>3,242,861.31</u>
		Issuer Subtotal	8.574%	<u>3,241,129.75</u>			<u>1,731.56</u>	<u>0.00</u>	<u>3,242,861.31</u>
		Total	100.000%	39,195,450.31			12,540,447.29	13,915,572.46	37,820,325.14



MONTHLY TREASURY REPORT
Aging Report
By Maturity Date
As of April 30, 2010

City of Corvallis
 500 SW Madison
 P.O. Box 1083
 Corvallis, OR 97339-1083
 (541)766-6738

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(04/30/2010 - 04/30/2010)	4 Maturities 0 Payments	35,105,450.31	89.57%	35,105,450.31	35,105,450.31
Aging Interval:	1 - 30 days	(05/01/2010 - 05/30/2010)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	31 - 60 days	(05/31/2010 - 06/29/2010)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	61 - 90 days	(06/30/2010 - 07/29/2010)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	91 - 180 days	(07/30/2010 - 10/27/2010)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	181 - 270 days	(10/28/2010 - 01/25/2011)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	271 - 364 days	(01/26/2011 - 04/29/2011)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	365 - 545 days	(04/30/2011 - 10/27/2011)	3 Maturities 0 Payments	4,090,000.00	10.43%	4,245,450.00	4,228,362.90
Aging Interval:	546 days and after	(10/28/2011 -)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Total for			7 Investments 0 Payments		100.00	39,350,900.31	39,333,813.21

City of Corvallis
Cash Flow Summary
April 30, 2010

	Receipts (1)	Disbursements (2)	Net
Actual Activity	5,241,509	7,551,800	(2,310,291)
Projected Activity	5,453,249	8,959,654	(3,506,405)
Difference	(211,740)	(1,407,854)	1,196,114

(1) Receipts include deposits and interest received.

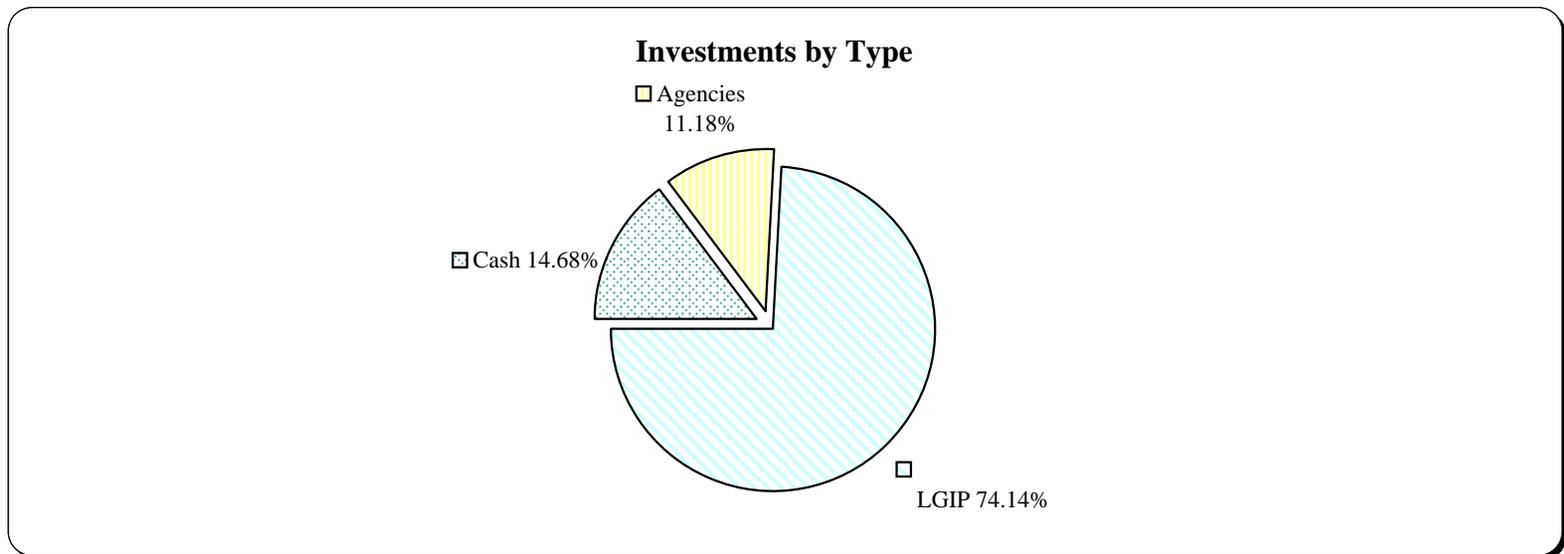
(2) Disbursements include accounts payable checks, payroll checks, other payments made through wire transfers and LGIP fees

Intrafund and interfund transfers, and investment purchases and maturities are movements between cash in different accounting funds or investment securities. The net effect on cash is zero, therefore they are not included.

**City of Corvallis
Treasury Report
Investment Type Compliance Test**

		Maximum Allowed	Current Month			Previous Month	
			Percent of Portfolio	Amount of Portfolio	Met Compliance	Percent of Portfolio	Amount of Portfolio
Cash	100%	37,975,775	14.68%	5,573,953	Yes	12.42%	4,887,519
U.S. Treasury Obligations	100%	37,975,775	0.00%	-	Yes	0.00%	-
U.S. Gov't Agencies	75%	28,481,831	11.18%	4,245,450	Yes	10.79%	4,245,450
Local Government Investment Pool	100%	37,975,775	74.14%	28,156,372	Yes	76.79%	30,217,932
Repurchase Agreements	25%	9,493,944	0.00%	-	Yes	0.00%	-
Banker's Acceptances	25%	9,493,944	0.00%	-	Yes	0.00%	-
Certificates of Deposit	25%	9,493,944	0.00%	-	Yes	0.00%	-
Commercial Paper	25%	9,493,944	0.00%	-	Yes	0.00%	-
Municipal Bonds	25%	9,493,944	0.00%	-	Yes	0.00%	-
Total Portfolio		-	100.00%	37,975,775	(a)	100.00%	39,350,900

(a) Excludes prepaid interest.



City of Corvallis
Investment Purchase
Financial Institution Compliance Test
April 30, 2010

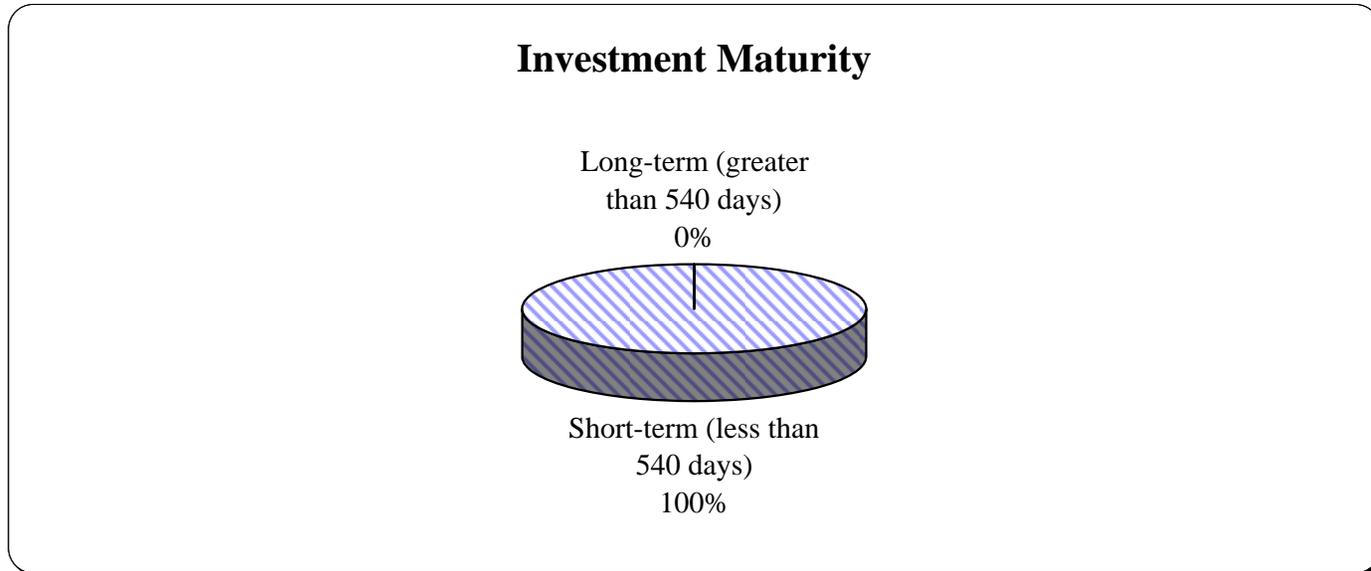
Institutions	Maximum Allowed	Current Month			Previous Month			
		Percent of Portfolio	Amount of Portfolio	Met Compliance	Percent of Portfolio	Amount of Portfolio	Met Compliance	
US Bank								
Banker's Acceptance	25%	9,493,944	0.00%	-	0.00%	-		
			0.00%	-	0.00%	-	Yes	
General Electric								
Commercial Paper	5%	1,898,789	0.00%	-	0.00%	-		
			0.00%	-	0.00%	-	Yes	
Federal Farm Credit Bureau								
Government Agency	40%	15,190,310	5.48%	2,080,400	5.29%	2,080,400		
			5.48%	2,080,400	5.29%	2,080,400	Yes	
Federal Home Loan Bank								
Government Agency	40%	15,190,310	5.70%	2,165,050	5.50%	2,165,050		
			5.70%	2,165,050	5.50%	2,165,050	Yes	
Umpqua Bank								
Money Market Account	15%	5,696,366	8.54%	3,242,861	8.24%	3,241,130		
			8.54%	3,242,861	8.24%	3,241,130	Yes	
Citizen's Bank								
Certificate of Deposit	25%	9,493,944	0.00%	-	0.00%	-		
			0.00%	-	0.00%	-	Yes	
Local Government Investment Pool								
LGIP 4031	100%	37,975,775	74.14%	28,156,372	76.79%	30,217,932		
			74.14%	28,156,372	76.79%	30,217,932	Yes	
Checking Account	n/a	n/a	6.11%	2,321,160	4.16%	1,636,457	Yes	
Petty Cash	n/a	n/a	0.03%	9,932	0.03%	9,932	Yes	
		Portfolio Total	100.00%	37,975,775	(a)	100.00%	39,350,900	(a)

(a) Excludes prepaid interest.

**City of Corvallis
Treasury Report
Investment Maturity Compliance Test**

	Minimum/ Maximum Allowed	Current Month			Previous Month		
		Percent of Portfolio	Amount of Portfolio	Met Compliance	Percent of Portfolio	Amount of Portfolio	
Short-term (less than 548 days)	75% min	25,297,744	100.00%	37,975,775	Yes	94.71%	37,270,500
Long-term (greater than 548 days)	25% max	8,432,581	0.00%		Yes	5.29%	2,080,400
Portfolio Total		33,730,325	100.00%	37,975,775 (a)		100.00%	39,350,900
Local Government Investment Pool	Minimum Target Options						
-15% of the overall portfolio	15% min	5,059,549		37,975,775	Yes		
-10% of the overall portfolio plus an	10%	3,373,033					
-additional 5% maturing within 60 days	5%	1,686,516					
	min	5,059,549		37,975,775	Yes		

(a) Excludes prepaid interest.



City of Corvallis
Monthly Revenue Allocations
Distributed in April 2010

Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed	Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed
101	General	1,916,263.10	836.70	460	Davidson Library	6,053.25	2.64
201	Street	644,858.63	283.30	501	Water	1,171,574.53	514.64
208	Street SDC	961,487.38	415.39	502	Water Timber	(27,109.19)	(12.00)
210	Parks & Recreation	1,899,123.20	837.88	508	Water SDC	4,496,735.06	1,974.91
211	Parks & Recreation - Aquatics	(34,026.30)	(14.00)	509	Water Construction	19,590.88	8.64
212	Open Space	93,153.04	40.93	520	Wastewater	4,817,827.73	2,114.27
218	Parks SDC	59,007.31	25.71	528	Wastewater SDC	7,458,622.48	3,275.97
220	911	668,547.46	291.02	529	Wastewater Construction	47,493.97	21.11
230	Development Services	1,346,047.96	586.22	540	Storm Water	1,625,897.07	715.30
240	Fire & Rescue	3,145,845.79	1,393.11	548	Storm Water SDC	(21,454.15)	(10.00)
250	Comm Dev Revolving	982,836.80	432.77	549	Storm Water Construction	69,394.99	30.53
260	Parking	882,905.60	387.75	560	Airport	755,694.32	331.93
270	Transit	762,755.86	345.58	569	Airport Construction	(9,500.67)	(4.00)
290	Library	1,323,000.78	588.73	610	Fleet Maintenance	66,655.92	28.79
291	Library 2010	428,974.51	188.57	615	Facility Maintenance	186,266.30	81.47
301	Capital Improvement	403,071.10	181.82	620	Technology & Communications	751,290.68	329.38
401	General Obligation Debt Service	1,387,991.65	610.39	625	Administrative Services	496,872.00	217.11
				630	Risk Management	727,417.88	320.14
Total						39,511,166.92	17,372.70

The interest distributed is the net of the previous fiscal year interest accrual, interest received and the previous fiscal year's GASB 31 Fair Value Adjustment reversal.

The distribution is based on the average cash balance for the period in which interest is earned.

The interest distributed to sub-funds 509, 529, 549, & 569 is distributed to the operations fund.

City of Corvallis
Glossary of SymPro Report Acronyms and Terms

Investment Types

BCD	Bank Certificate of Deposit
BAC	Bankers Acceptance
COM	Commercial Paper
FAC	Federal Agency - Coupon Security
FAD	Federal Agency - Discount Note
PA1	General Checking Account
LA1	Local Government Investment Pool
MUN	Municipal Bond
MD1	Municipal Bond - Discount Note
PA2	Petty Cash
TRC	Treasury Note

Issuers

FHLB	Federal Home Loan Bank
FNMA	Federal National Mortgage Association
FFCR	Federal Farm Credit Bank
FHLMC	Federal Home Loan Mortgage Corporation
SLMA	Student Loan Marketing Association
TVA	Tennessee Valley Authority
US TRE	Treasury Note
OR SBD	Oregon School Boards
LGIP	Local Government Investment Pool

Dealers*

BOA	Bank of America
DAD	DA Davidson & Co.
DR	RBC Dain Rauscher
PPJ	Piper Jaffray
PW	UBS Paine Webber
SNW	Seattle Northwest
UMP	Umpqua Bank
US	US Bank
WELLS	Wells Fargo

* All investments are safekept with the purchasing dealer.

Accrued Interest at Purchase - number of days interest between last coupon date and purchase date that is paid for at time of investment purchase.

Book Value - the cost of the principal at the time of the security purchase.

Days to Maturity - (weighted average) number of days from the report date to the maturity date of a security (or group of securities).

Market Value - Par value time the price at which the security could theoretically have been sold at month end per Interactive Data Corp. (IDC) and independent third-party security pricing firm.

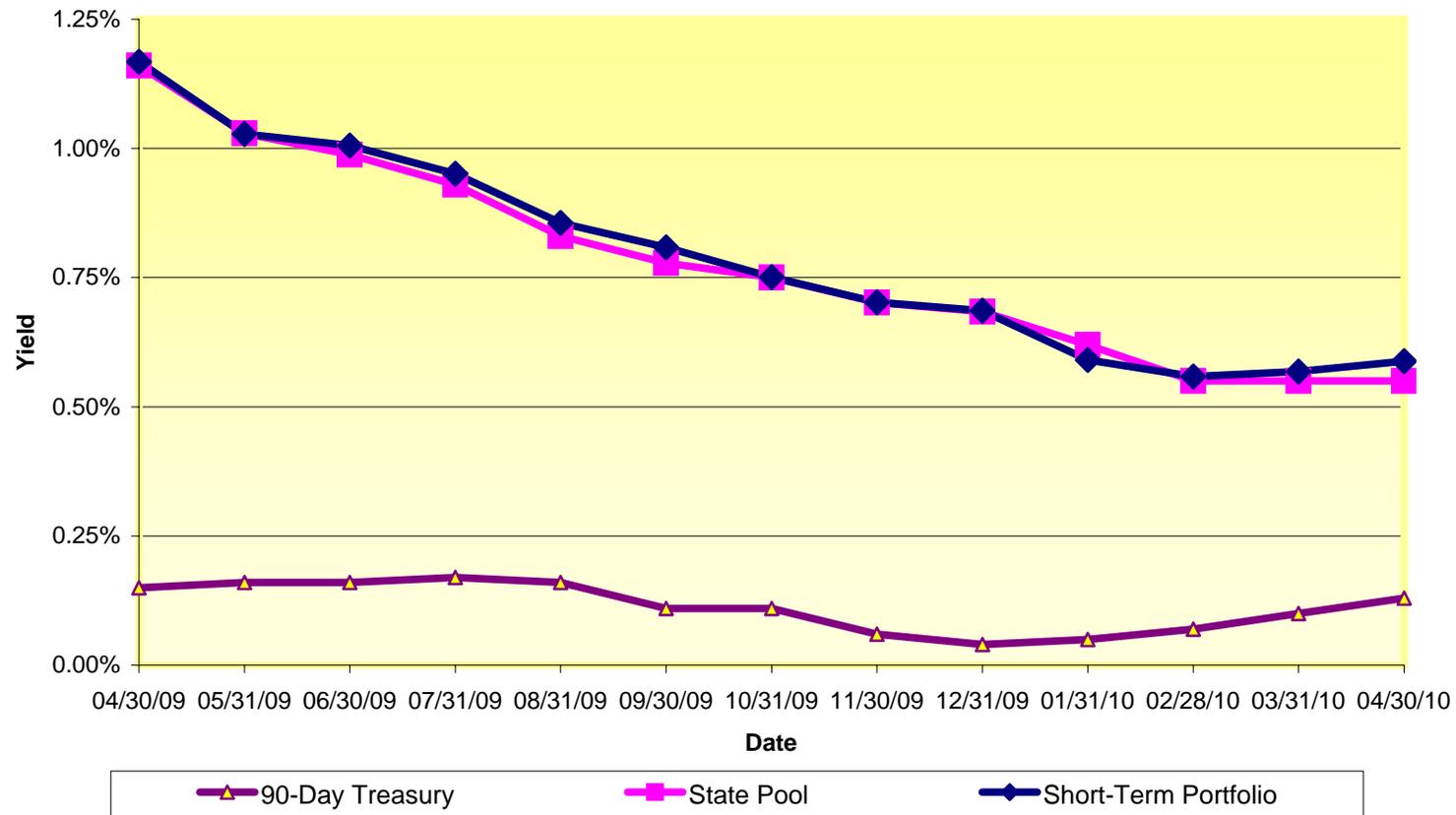
Par Value - the face value of a security. This is the value to which the coupon rate is applied for interest payments.

Term - (weighted average) number of days from the purchase date to the maturity date of a security (or group of securities).

YTM - yield to maturity. YTM is normally calculated on a 365-day basis (except for long-term TRC's which are done on a 360-day basis). FAC, TRC and MUN securities are reflected in SymPro at their "Bond Equivalent-Yield". Shorter-term securities, such as BCD, FAD, COM and BAC, are quoted in SymPro on a simple interest basis.

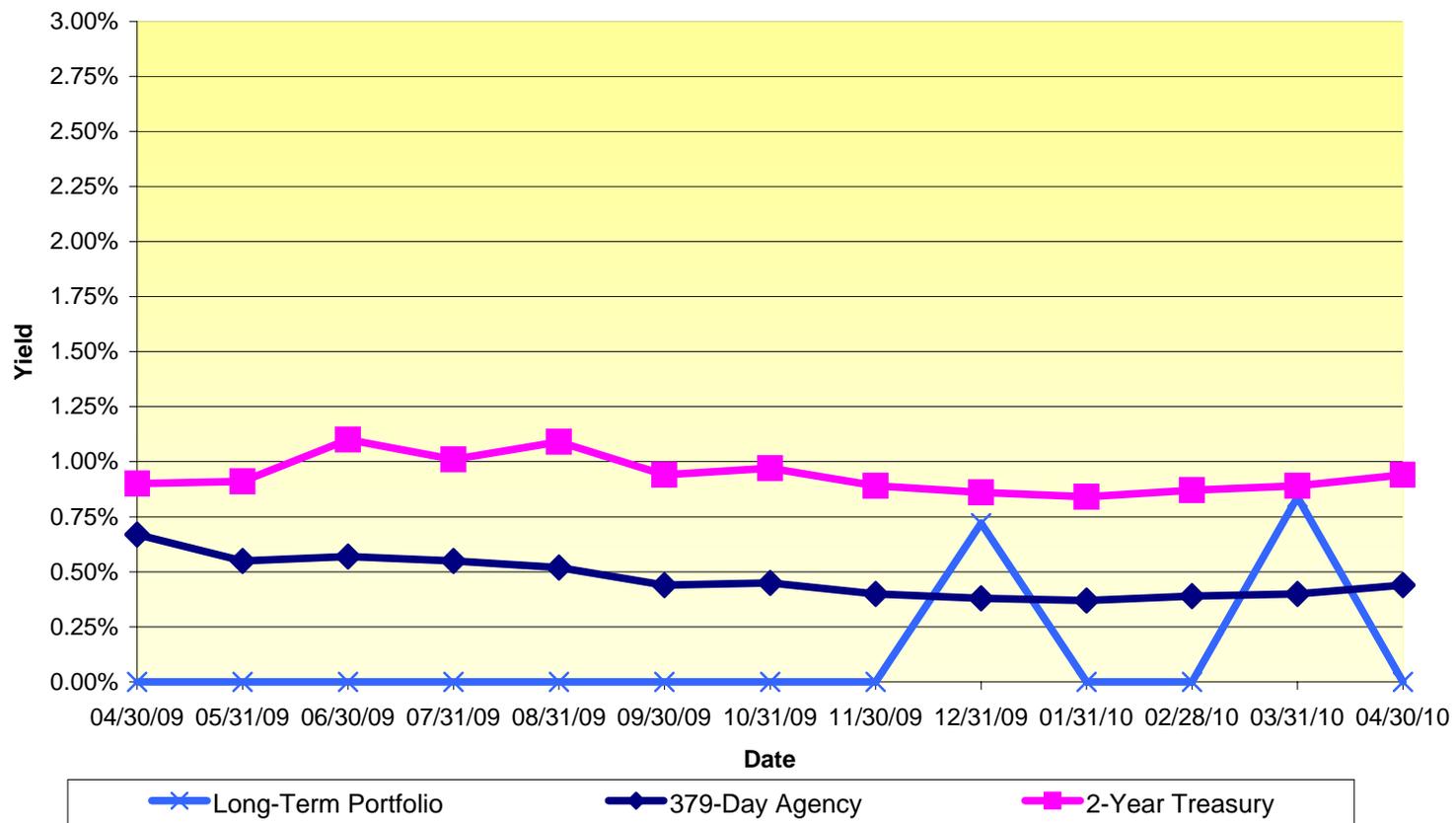


City of Corvallis Short-Term Yields April 2009 - April 2010





City of Corvallis Long-Term Yields April 2009 - April 2010





City of Corvallis Cash & Investments

