

CITY OF CORVALLIS

Investment Council

Treasury Report

November 2012

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

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NOVEMBER 2012

The election and the aftermath of Super Storm Sandy dominated the financial news for the month of November. Bonds rallied sharply following the re-election of President Obama as the economy is expected to face continued uncertainty and gridlock will ensure the difficulty of any agenda to be passed. The Democrats retain control of the Senate, but picked up two additional seats. The House remains in control of the Republicans, with the Democrats picking up two seats. With the political landscape unchanged, bonds have rallied sharply as QE3 will continue unabated and growth problems are expected to remain. The fiscal cliff is the most important upcoming event. There will likely be some type of bridge agreement reached which the ratings agencies will likely view as “kicking the can down the road.” Tax increases definitely appear on the agenda which would likely act as a drag on growth and also on interest rates. The future is dependent on whether the Administration and Congress decide to cooperate or not.

Unemployment

On the Friday prior to the election, the unemployment report offered a glimmering hope that the economy was beginning to continue on its path to recovery. Bond yields rose following a stronger than expected labor report. Non-farm payrolls rose 171,000 in October. A gain of 125,000 was expected. The previous two months were revised higher by 84,000. Private employers added 184,000 while government lost 13,000 (mostly on the state and local level). Large job gains were posted by retail and business services, with smaller gains posted by construction and manufacturing. Unemployment rose from 7.8% to 7.9% as expected. The labor force participation rate rose .2% to 63, dangerously close to the lowest level since January 1984. The bottom line is that there has been good news for the economy but not good enough to make up for the losses suffered during the downturn.

The Fed

What does the strength in job growth mean to the Fed? The improvement in the labor report is not enough to move the Fed away from its accommodative path. The Fed is looking for significant sustained improvement in the labor market, which to date we have not seen. The wage struggles for workers is also a likely concern of the Fed’s.

The Fiscal Cliff

The January 1 deadline is quickly approaching before automatic tax increases and spending cuts are put into place. Republicans say “real entitlement reform” must be part of the deal. Democrats say tax increases for the rich must be part of the deal. The financial markets remain unsettled until some type of compromise can be reached.

Sector Performance

30-year UST Bond		+1.48%	10-Year UST Note	+1.17%
Cash	(Three month Treasury Bill)	0.00%	Crude Oil	+3.1%
U.S. Stocks	(Russell 3000)	+8%	Gold	-0.3%
Commodities	(DJ-UBS Commodity)	0.0%	S&P 500	+6%

Source: Bloomberg IND and capitalspectator.com

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

	<u>09/30/12</u>	<u>10/31/12</u>	<u>11/30/12</u>	<u>Chg Nov</u>
3-month bill	0.09	0.11	0.08	-0.03
6-month bill	0.13	0.16	0.13	-0.03
2-year note	0.23	0.28	0.25	-0.03
5-year note	0.63	0.72	0.62	-0.10
10-year note	1.63	1.69	1.62	-0.07

Source: Bloomberg

Policy Compliance Report

(Market Values)

Overall Portfolio Structure

	Investment Strategy Range		Market Value	Neutral Allocation	Actual Allocation	Position
	Low	High				
Liquid Component	\$5,000,000.00	\$20,000,000.00	\$33,273,456.56	60.00%	71.7%	11.72%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$13,119,964.00	40.00%	28.3%	-11.72%
Total			\$46,393,420.56			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	72%	Yes
Under 1 Year	> 25%	74%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.77	Yes

Asset Allocation Strategy

	Policy Maximum Allocation	Per Issuer Restriction	Current Portfolio Allocation	Market Value	Policy Maximum Maturity	Amount Available to Invest	Within Limits
US Treasuries	100%		0.00%	\$0.00	5 Years	\$46,393,420.56	Yes
Federal Agency and Agency Sponsored	100%	40%	28.28%	\$13,119,964.00	5 Years	\$33,273,456.56	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	3.10%	\$1,436,019.33		\$10,162,335.81	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$4,639,342.06	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$4,639,342.06	Yes
State Obligations (OR,WA, AA or better)	10%	5%	0.00%	\$0.00	5 Years	\$4,639,342.06	Yes
State Pool	ORS Maximum or 100%		68.62%	\$31,837,437.23	N/A	\$12,636,726.77	Yes
Total			100.00%	\$46,393,420.56			

ORS Maximum \$44,474,164.00

Policy : August 2012

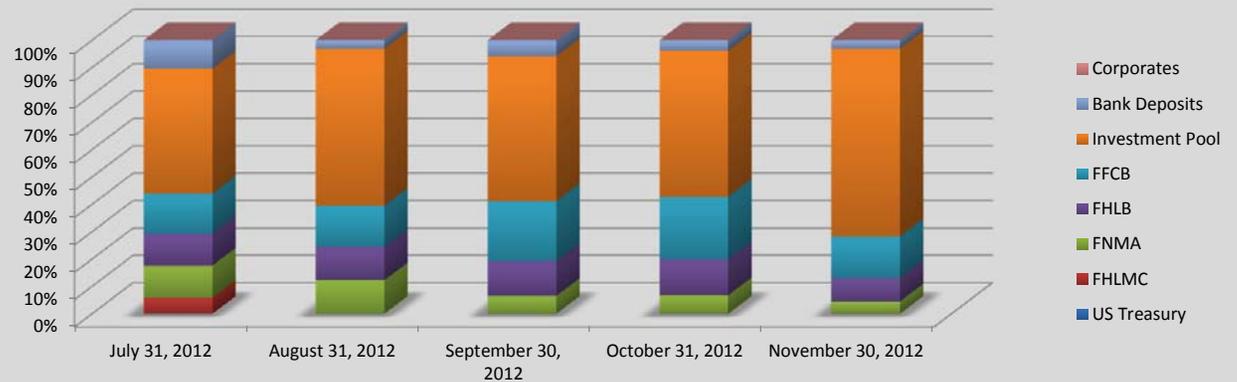
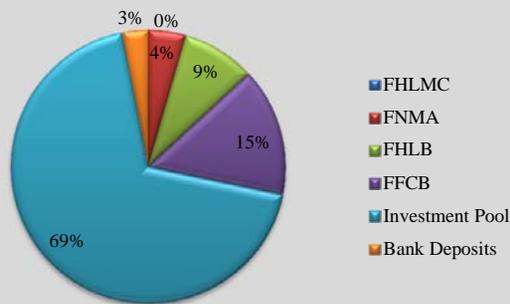
Total Asset Allocation Strategy
(Market Values)

Commentary

DFIM and the city evaluated the investment options for the maturity this month, and while rates are still very low, decided to maintain the the invested component at \$13MM. The decision was made to purchase the FFCB with the shorter 2/13 call and conintuous call exposure after that date. The reasoning was that the YTM was similar to the pool at .58%, and if the bond did get called in the next three months the earnings would be over 1%. DFIM will conintue to watch for an opportunity to invest \$2MM more into the investment fund to hold the value at \$15MM. Expected overall balances after tax receipts is approximately \$30,000,000.

Sector	Yield	July 31, 2012	August 31, 2012	September 30, 2012	October 31, 2012	November 30, 2012	Change From Last Month
US Treasury	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FHLMC	0.57%	\$2,000,094.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FNMA	0.76%	\$4,081,450.00	\$4,081,246.00	\$2,073,114.00	\$2,069,740.00	\$2,070,960.00	\$1,220.00
FHLB	0.59%	\$4,040,023.00	\$4,038,475.00	\$4,036,091.00	\$4,032,486.00	\$4,029,916.00	(\$2,570.00)
FFCB	0.81%	\$5,012,354.00	\$5,016,113.00	\$7,017,618.00	\$7,013,969.00	\$7,019,088.00	\$5,119.00
Investment Pool	0.60%	\$15,758,660.68	\$19,090,136.01	\$16,894,555.41	\$16,356,290.44	\$31,837,437.23	\$15,481,146.79
Bank Deposits	0.53%	\$3,577,571.26	\$1,006,085.04	\$1,851,785.97	\$1,179,353.32	\$1,436,019.33	\$256,666.01
Corporates	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	0.63%	\$34,470,152.94	\$33,232,055.05	\$31,873,164.38	\$30,651,838.76	\$46,393,420.56	\$15,741,581.80

Current Sector Allocation





DETAIL AMORTIZATION COST RETURN
CITY OF CORVALLIS TOTAL
 From 10-31-12 to 11-30-12

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	7,451.39	-3,048.50	0.00	4,402.89
AGENCY CALLABLE	2,495.56	267.34	7,012.88	9,775.78
CASH & EQUIVALENTS	383.00	0.00	0.00	383.00
OR STATE POOL	11,670.12	0.00	0.00	11,670.12
TOTAL	22,000.06	-2,781.15	7,012.88	26,231.79

SUMMARY OF AMORTIZED COST BASIS
RETURN FOR THE PERIOD
CITY OF CORVALLIS TOTAL
 October 31, 2012 to November 30, 2012

	Total Portfolio
Interest Earned	22,000.06
Accretion/Amortization	-2,781.15
Realized Gain/Loss on Sales	7,012.88
Total Income on Portfolio	26,231.79
Average Daily Historical Cost	30,704,733.53
Return	0.09%
Annualized Return	1.05%
Annualized Return Net of Fees	1.05%
Weighted Duration to Maturity in Years	0.76
Weighted Days to Maturity	283



**CITY OF CORVALLIS TOTAL
PORTFOLIO HOLDINGS**

November 30, 2012

Security Symbol	Quantity	Security	Call Date	Pur Date	Amort Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Dur Call
AGENCY BULLET															
3133XXYX9	1,000,000	FEDERAL HOME LN BKS 1.875% Due 06-21-13		05-11-11	100.64	0.71	100.93	0.21	1,009,276.00	8,281.25	1,017,557.25	2,912.64	2.2	0.55	0.55
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.35	0.55	100.69	0.23	3,020,640.00	11,156.25	3,031,796.25	10,285.86	6.5	1.07	1.07
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	102.33	0.81	103.55	0.40	2,070,960.00	3,069.44	2,074,029.44	24,382.21	4.5	2.84	2.84
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.98	0.75	100.92	0.49	2,018,356.00	6,916.67	2,025,272.67	18,677.39	4.4	3.48	3.48
	8,000,000					0.69		0.34	8,119,232.00	29,423.61	8,148,655.61	56,258.10	17.5	2.06	2.06
AGENCY CALLABLE															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	02-26-13	11-15-12	99.87	0.59	100.00	0.55	2,999,898.00	183.33	3,000,081.33	3,933.21	6.5	3.70	0.24
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	12-26-12	09-19-12	99.88	0.71	100.04	0.67	2,000,834.00	2,417.78	2,003,251.78	3,220.99	4.3	3.76	0.07
	5,000,000					0.64		0.60	5,000,732.00	2,601.11	5,003,333.11	7,154.19	10.8	3.72	0.17
CASH & EQUIVALENTS															
CASH	10,257	CASH 0.100% Due 12-01-12		11-30-12	1.00	0.10	1.00	0.10	10,257.00	0.00	10,257.00	0.00	0.0	0.00	0.00
CBANK3	1,425,762	Corvallis Wells Fargo 0.250% Due 12-01-12		11-30-12	1.00	0.25	1.00	0.25	1,425,762.33	0.00	1,425,762.33	0.00	3.1	0.00	0.00
	1,436,019					0.25		0.25	1,436,019.33	0.00	1,436,019.33	0.00	3.1	0.00	0.00
OR STATE POOL															
ORPOOL	2,000,000	OREGON STATE POOL 0.600% Due 12-01-12		09-19-12	1.00	0.60	1.00	0.60	2,000,000.00	0.00	2,000,000.00	0.00	4.3	0.00	0.00
ORPOOL	29,837,437	OREGON STATE POOL 0.600% Due 12-01-12		11-30-12	1.00	0.60	1.00	0.60	29,837,437.23	0.00	29,837,437.23	0.00	64.3	0.00	0.00
	31,837,437					0.60		0.60	31,837,437.23	0.00	31,837,437.23	0.00	68.6	0.00	0.00
TOTAL	46,273,457					0.61		0.54	46,393,420.56	32,024.72	46,425,445.28	63,412.29	100.0	0.76	0.38

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special note: At this time AXYS does not correctly calculate book or market yields for variable rate, floating rate, or mortgage backed securities.



CITY OF CORVALLIS TOTAL TRANSACTION SUMMARY

From 11-01-12 To 11-30-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Buy long							
11-15-12	11-26-12	3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS	02-26-13	2,995,950.00	WELLS FAR
				0.550% Due 08-26-16			
11-30-12	11-30-12	CBANK3	1,425,762	Corvallis Wells Fargo		1,425,762.33	
				0.250% Due 12-01-12			
11-30-12	11-30-12	CASH	10,257	CASH		10,257.00	
				0.100% Due 12-01-12			
11-30-12	11-30-12	ORPOOL	29,837,437	OREGON STATE POOL		29,837,437.23	
				0.600% Due 12-01-12			
						34,269,406.56	
Deposit							
11-30-12	11-30-12	manfee		Management Fee **		1,500.00	
Interest							
11-21-12	11-21-12	31331KT91		FEDERAL FARM CR BKS CONS		10,950.00	
				0.730% Due 11-21-14			
11-30-12	11-30-12	ORPOOL		OREGON STATE POOL		953.42	
				0.600% Due 12-01-12			
11-30-12	11-30-12	ORPOOL		OREGON STATE POOL		10,716.70	
				0.600% Due 12-01-12			
11-30-12	11-30-12	CBANK3		Corvallis Wells Fargo		383.00	
				0.250% Due 12-01-12			
						23,003.12	
Deliver in long							
11-26-12		cash		Cash Account		2,995,950.00	
Deliver out long							
11-21-12		cash		Cash Account		3,010,950.00	
Purchased Accrued Interest							
11-15-12	11-26-12	3133EC3F9		FEDERAL FARM CR BKS CONS	02-26-13	0.00	
				0.550% Due 08-26-16			

** Monthly allocation of the quarterly investment advisor fee from Davidson Fixed Income Management, Inc.

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**CITY OF CORVALLIS TOTAL
 TRANSACTION SUMMARY**

From 11-01-12 To 11-30-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Sold Accrued Interest							
11-21-12	11-21-12	31331KT91		FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14		0.00	
Sell long							
11-21-12	11-21-12	31331KT91	3,000,000	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14		3,000,000.00	CALLED
11-30-12	11-30-12	CBANK3	1,169,396	Corvallis Wells Fargo 0.250% Due 12-01-12		1,169,396.32	
11-30-12	11-30-12	CASH	9,957	CASH 0.100% Due 12-01-12		9,957.00	
11-30-12	11-30-12	ORPOOL	14,356,290	OREGON STATE POOL 0.600% Due 12-01-12		14,356,290.44	
						<u>18,535,643.76</u>	

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 November 30, 2012

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
FNMA(Straight Line)									
FEDERAL NATL MTG ASSN 1.625% Due 10-26-15 (31398A4M1)									
2,000,000	1	01-13-12	103.028	2,060,564.00	-1,315.32	-13,986.21	-13,986.21	-46,577.79	2,046,577.79
FHLB(Straight Line)									
FEDERAL HOME LN BKS 0.875% Due 12-27-13 (313371UC8)									
3,000,000	1	11-21-11	100.674	3,020,223.00	-792.15	-8,839.82	-9,868.86	-10,354.14	3,010,354.14
FEDERAL HOME LN BKS 1.875% Due 06-21-13 (3133XXYX9)									
1,000,000	1	05-11-11	102.429	1,024,290.00	-948.50	-10,580.09	-17,926.64	-6,363.36	1,006,363.36
Total				4,044,513.00	-1,740.65	-19,419.90	-27,795.50	-16,717.50	4,016,717.50
FFCB(Straight Line)									
FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16 (3133EAUH9)									
2,000,000	1	06-26-12	99.982	1,999,640.00	7.47	38.61	38.61	321.39	1,999,678.61
FFCB CALLABLE(Straight Line)									
FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16 (3133EA2D9)									
2,000,000	1	09-19-12	99.875	1,997,500.00	51.37	113.01	113.01	2,386.99	1,997,613.01
FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16 (3133EC3F9)									
3,000,000	1	11-15-12	99.865	2,995,950.00	14.79	14.79	14.79	4,035.21	2,995,964.79
Total				4,993,450.00	66.16	127.81	127.81	6,422.19	4,993,577.81
CASH(Straight Line)									
CASH 0.100% Due 12-01-12 (CASH)									
10,257	6	11-30-12	1.000	10,257.00	0.00	0.00	0.00	0.00	10,257.00
Corvallis Wells Fargo 0.250% Due 12-01-12 (CBANK3)									
1,425,762	5	11-30-12	1.000	1,425,762.33	0.00	0.00	0.00	0.00	1,425,762.33
Total				1,436,019.33	0.00	0.00	0.00	0.00	1,436,019.33

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Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.



AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 November 30, 2012

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
POOL(Straight Line)									
OREGON STATE POOL 0.600% Due 12-01-12 (ORPOOL)									
2,000,000	3	09-19-12	1.000	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00
29,837,437	7	11-30-12	1.000	29,837,437.23	0.00	0.00	0.00	0.00	29,837,437.23
31,837,437				31,837,437.23	0.00	0.00	0.00	0.00	31,837,437.23
GRAND TOTAL				46,371,623.56	-2,982.33	-33,239.69	-41,615.29	-56,551.71	46,330,008.27

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
From 10-31-12 To 11-30-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
AGENCY							
AGENCY BULLET							
FHLB							
3133XXYX9	FEDERAL HOME LN BKS 1.875% Due 06-21-13	6,770.83	0.00	0.00	0.00	1,510.42	8,281.25
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	9,041.67	0.00	0.00	0.00	2,114.58	11,156.25
		<u>15,812.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,625.00</u>	<u>19,437.50</u>
FNMA							
31398A4M1	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	451.39	0.00	0.00	0.00	2,618.06	3,069.44
		<u>451.39</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,618.06</u>	<u>3,069.44</u>
FFCB							
3133EAUH9	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	5,708.33	0.00	0.00	0.00	1,208.33	6,916.67
		<u>5,708.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,208.33</u>	<u>6,916.67</u>
	AGENCY BULLET Total	<u>21,972.22</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7,451.39</u>	<u>29,423.61</u>
AGENCY CALLABLE							
FFCB							
31331KT91	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	9,733.33	0.00	0.00	-10,950.00	1,216.67	0.00
3133EC3F9	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	0.00	0.00	0.00	0.00	183.33	183.33
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	1,322.22	0.00	0.00	0.00	1,095.56	2,417.78
		<u>11,055.56</u>	<u>0.00</u>	<u>0.00</u>	<u>-10,950.00</u>	<u>2,495.56</u>	<u>2,601.11</u>
	AGENCY CALLABLE Total	<u>11,055.56</u>	<u>0.00</u>	<u>0.00</u>	<u>-10,950.00</u>	<u>2,495.56</u>	<u>2,601.11</u>



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 10-31-12 To 11-30-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
AGENCY Total		33,027.78	0.00	0.00	-10,950.00	9,946.94	32,024.72
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 12-01-12	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 12-01-12	0.00	0.00	0.00	-383.00	383.00	0.00
		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-383.00</u>	<u>383.00</u>	<u>0.00</u>
CASH & EQUIVALENTS Total		0.00	0.00	0.00	-383.00	383.00	0.00
OR STATE POOL							
STATE INVESTMENT POOL							
ORPOOL	OREGON STATE POOL 0.600% Due 12-01-12	0.00	0.00	0.00	-11,670.12	11,670.12	0.00
		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-11,670.12</u>	<u>11,670.12</u>	<u>0.00</u>
OR STATE POOL Total		0.00	0.00	0.00	-11,670.12	11,670.12	0.00
CASH Total		0.00	0.00	0.00	-12,053.12	12,053.12	0.00
TOTAL PORTFOLIO		33,027.78	0.00	0.00	-23,003.12	22,000.06	32,024.72

City of Corvallis
Glossary of Davidson Fixed Income Management, Inc. Acronyms and Terms

Investment/Issuer Types				Other	
BA	Banker's Acceptance	FHLB	Federal Home Loan Bank	CPI	Consumer Price Index
CASH	Petty Cash	FHLMC	Federal Home Loan Mortgage Corporation	FOMC	Federal Open Market Committee
CBANK3	Wells Fargo Bank Checking	FNMA	Federal National Mortgage Association	GDP	Gross Domestic Product
CD	Certificates of Deposit	ORPOOL	Local Government Investment Pool	OSTFB	Oregon Short Term Fund Board
CP	Commercial Paper			QE	Quantitative Easing
FFCB	Federal Farm Credit Bureau			YTM	Yield to Maturity
FFCR	Federal Farm Credit Bank			TIPS	Treasury Inflation Protected Securities

* All investments are held with US Bank, the City's third-party safekeeper.

Asset Allocation Strategy: a strategy that incorporates evaluating spread relationships between the investment alternatives. Treasury securities are the baseline yields to which all other issues are compared.

Benchmark: a benchmark is a target or market level comparator using a set of securities that appropriately matches the portfolio's risk and return characteristics through interest rate cycles.

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

Buy long: reporting program terminology meaning a security has been placed in the portfolio.

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

Duration Strategy: a strategy that provides discipline for making investment decisions based on balancing risk and return. The duration of the portfolio will be adjusted relative to the benchmark as interest rates vary. The portfolio duration will be longer than the benchmark when rates are historically high and shorter when rates are historically low. The portfolio manager will typically manage the duration in a range of +/-25% to the benchmark duration.

Investment Component (Core): portion of the portfolio that is not expected to be needed for daily needs of participants. This portion is invested in maturities between 1 month and 3 years with an average maturity target of 9 months.

Liquidity Component: portion of the portfolio that is held in short maturity investments to meet immediate liquidity needs of the Funds. Investments designated to this component are LGIP Funds and Bank deposits.

Market Value: par value time the price at which the security could theoretically have been sold at month end per Interactive Data Corp. (IDC) an 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.

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

Return: the return of the total funds will be calculated on an accrual yield basis, which is the amount paid out to participants. This return will be compared to the OST Pool rate. Additionally, a total return calculation will be calculated and tracked internally to assist management in being accountable to the risk and return of the core investment portfolio on a market value basis.

Risk: the risks associated with investing are credit risk, mark to market risk and reinvestment rate risk.

Security Types: the portfolio's call exposure will be managed through balancing callable or variable rate exposure to fixed rate maturity securities.

Sell long: reporting program terminology meaning a security in the portfolio is available to sell; typically a liquid/cash account, since the City generally holds to maturity.

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

Yield Curve Strategy: the portfolio will be generally laddered, but the manager will implement a yield curve strategy when value is present in particular maturity sectors.

**City of Corvallis
Cash Flow Summary
November 2012**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	24,980,187	6,893,632	18,086,555
Projected Activity	24,368,027	9,061,565	15,306,462
Difference	612,160	(2,167,933)	2,780,093

(1) Receipts include deposits and interest received.

Receipts are higher than budget in November due primarily to larger than expected property tax turnover, which offset lower than anticipated grant revenues. Since total taxes are expected to be down for the year, future months' receipts may be lower than budgeted. Grant revenues are low as a percentage of budget due to grant projects not yet started and/or completed that are reimbursable in nature.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer.

Disbursements reflect only operating expenditures and are lower than budget due to the debt refunding that occurred in November. Two OBDD loans (#B97001 and #G95003) and one DEQ loan (#24481) were refunded, and budgeted principal and interest payments were transferred to the refunding. Total disbursements, including those non-operating in nature, were actually higher than forecast, but were offset by proceeds from the refunding (also not reflected in receipts). General Services budget continues to be underexpended, especially in the areas of capital improvement/construction and housing.

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
Monthly Revenue Allocations
Distributed in November 2012

Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed	Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed
101	General	1,694,967.63	399.78	460	Davidson Library	5,963.63	3.33
201	Street	560,776.84	331.23	501	Water	2,301,076.80	1,474.58
208	Street SDC	2,341,629.55	1,302.89	502	Water Timber	318,341.84	173.01
210	Parks & Recreation	1,144,107.18	423.64	508	Water SDC	4,635,881.61	8.22
211	Parks & Recreation - Aquatics	19,076.75	1.31	509	Water Construction	6,127.59	2,592.77
212	Open Space	94,574.67	52.97	520	Wastewater	2,534,918.67	1,799.76
218	Parks SDC	2,146,033.82	1,196.09	528	Wastewater SDC	8,636,955.84	4,829.14
220	911	643,163.32	367.62	529	Wastewater Construction	(79,038.86)	(20.06)
230	Development Services	1,280,868.07	739.24	540	Storm Water	1,618,815.36	908.77
240	Fire & Rescue	802,360.17	(153.17)	548	Storm Water SDC	73,418.98	40.85
250	Comm Dev Revolving	(1,367.87)	(5.57)	549	Storm Water Construction	(166,238.15)	(93.44)
260	Parking	1,057,813.95	591.33	560	Airport	573,674.24	323.45
270	Transit	465,870.31	217.40	569	Airport Construction	-	-
290	Library	(53,561.35)	(127.73)	610	Fleet Maintenance	63,584.72	36.54
291	Library 2010	435,476.54	243.96	615	Facility Maintenance	200,745.76	110.32
301	Capital Improvement	1,155,563.69	727.56	620	Technology & Communications	604,867.83	333.27
401	General Obligation Debt Service	382,562.68	120.27	625	Administrative Services	346,972.23	189.58
				630	Risk Management	863,417.90	498.45
Total						36,709,401.92	19,637.36

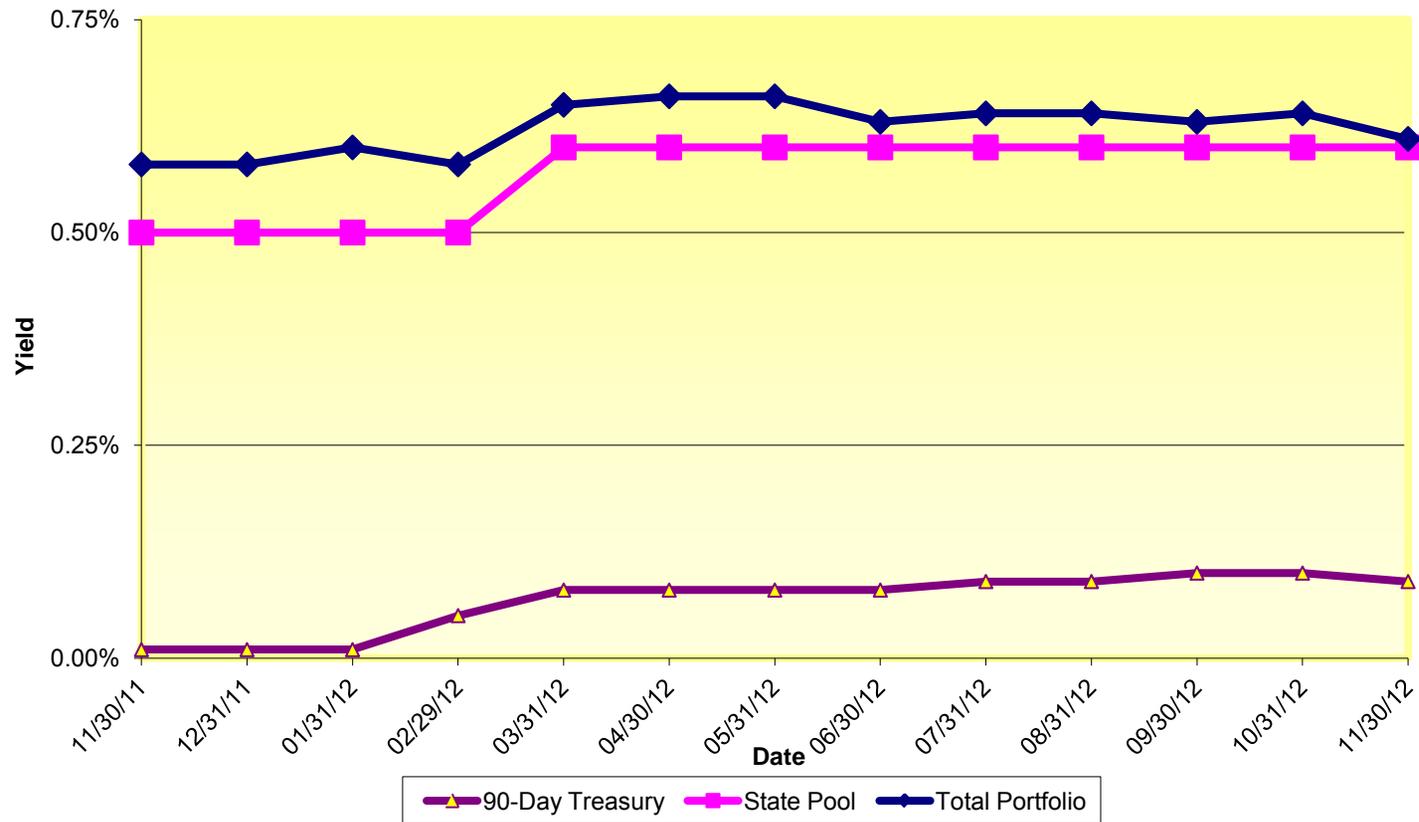
The accrual method of accounting is used for investments—The interest distributed will equal the monthly interest income accrual, net of any amortization or accretion on a premium/discount paid on an investment; this is also net of the previous fiscal year's GASB 31 Fair Value Adjustment reversal.

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

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



City of Corvallis Total Portfolio vs. Benchmark November 2011 - November 2012

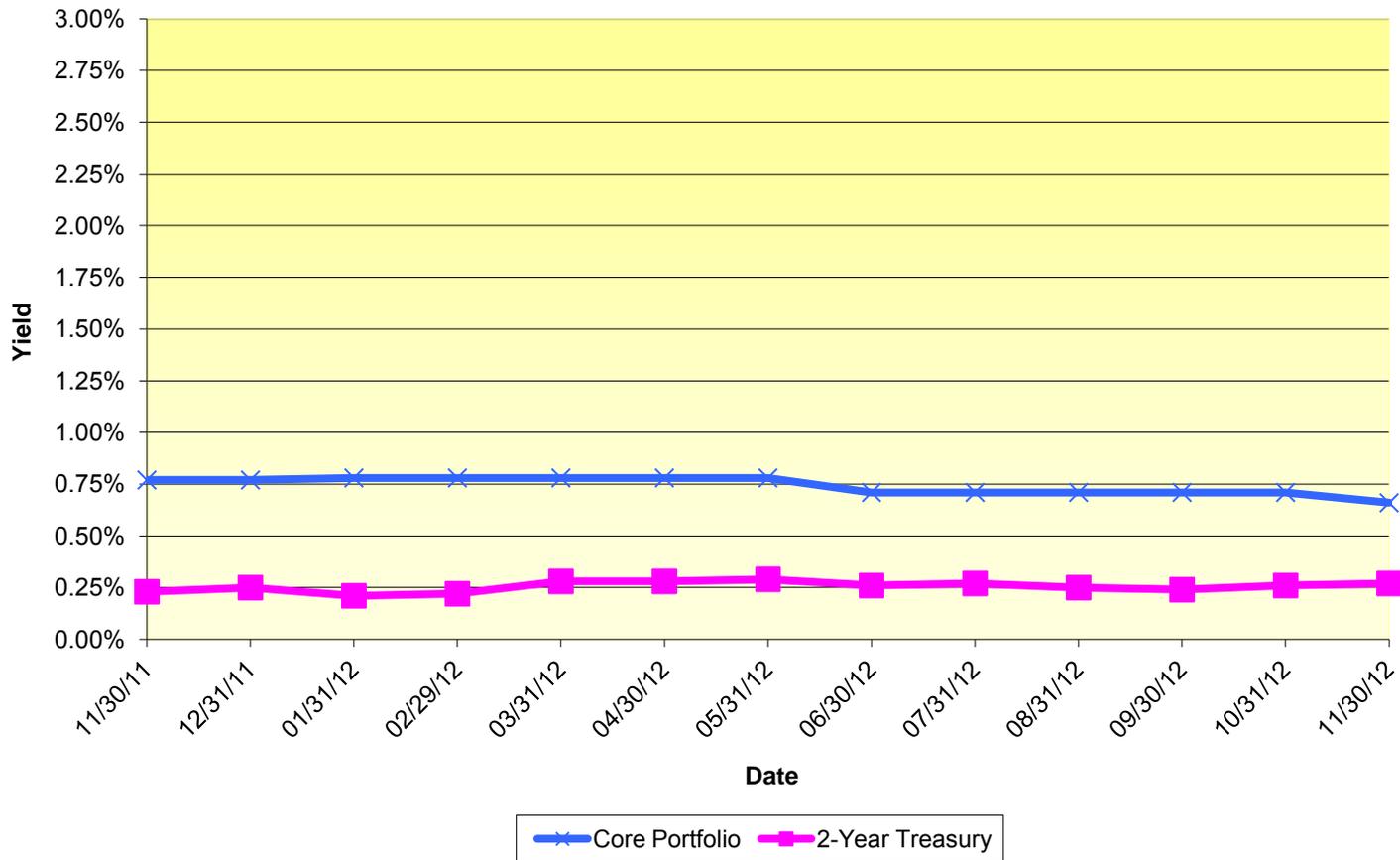




City of Corvallis

Core Portfolio vs. Benchmark

November 2011- November 2012





City of Corvallis Cash & Investments

