

CITY OF CORVALLIS

Investment Council

Treasury Report

March 2013

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

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INVESTMENT COUNCIL MEETING

May 9, 2013

Madison Avenue Meeting Room (MAMR)

Thursday - 7:30 am

*****AGENDA*****

- I. Approve Draft Minutes of Previous Meeting
- February 15, 2013
- II. Fiscal Year 2012-2013 Third Quarter Review
- Quarterly Portfolio Summary
- III. Addition of OSU-Federal Credit Union to City's Approved Financial Institutions List
- IV. Open Discussion

*****Next Meeting – August 8, 2013 - Thursday 7:30 am*****

**DRAFT
CITY OF CORVALLIS
INVESTMENT COUNCIL MEETING
FEBRUARY 15, 2013
MINUTES**

The City of Corvallis Investment Council meeting was called to order at 7:30 a.m. on February 15, 2013, in the Madison Avenue Meeting Room, 500 SW Madison Avenue, Corvallis, Oregon.

ROLL CALL

Present: Jim Patterson, Nancy Brewer, Scott Fewel, Bill Mercer, Richard Hervey, Janet Chenard, and Jeanna Yeager

Absent: None

SUMMARY OF DISCUSSION

Agenda Item	Information Only	Held for Further Review	Recommendations
Introductions/Overview	X		
Approve Minutes of November 8, 2012			Approved as drafted.
Fiscal Year 2012-2013 Second Quarter Review	X		
DFIM Broker/Dealer List			Approved updated list.
Open Discussion	X		
Adjournment – 8:00 a.m.			

CONTENT OF DISCUSSION

I. INTRODUCTIONS/OVERVIEW

As this was Council President Richard Hervey’s first meeting, City Manager Patterson requested introductions from those present, as well as an overview of investment council from Finance Director Nancy Brewer.

II. APPROVE MINUTES OF NOVEMBER 8, 2012

City Manager Jim Patterson invited any corrections to the minutes from the November 8, 2012 meeting. There being none, the minutes were approved as drafted.

III. FISCAL YEAR 2012-2013 SECOND QUARTER REVIEW

Accountant Jeanna Yeager read the following statement regarding the economic outlook:

Following their December meeting, the Federal Open Market Committee released in their January 30th statement that growth in economic activity paused in recent months due primarily to weather-related disruptions and other transitory factors. Although there has been a moderate rise in employment, the unemployment rate is still high. Improvement has been seen in household spending, in business fixed investment, and in the housing sector. Inflation has been lower than anticipated, apart from temporary variations that reflect higher energy price fluctuations, and longer-term inflation expectations have remained stable. To support continued progress toward maximum employment and price stability, the Committee expects to maintain a highly accommodative stance of monetary policy and plans to keep the federal funds rate exceptionally low – in the 0 to quarter percent range, at least as long as unemployment remains over 6-1/2 percent.

Ms. Yeager presented the Quarterly Portfolio Summary for the quarter ending December 31, 2012 (Attachment A). The second quarter showed a net increase in ending cash balances of approximately \$14.9 million from the first quarter, due primarily to property taxes received in November and December. These balances are expected to be the highest of the year. Investment activity included one call of \$3 million in November, as well as a \$3 million purchase, with a continuous call option, that will mature in August 2016. The Total Portfolio went down by 1 basis point, while the Core Portfolio dropped 5 basis points. State Pool rates remained flat, but as of February 4th, it will drop 6 basis points, for a rate of 0.54 percent. The 2-Year Treasury rate increased 3 basis points, but as a benchmark, still remained well below the City's core portfolio yield.

Budget and Financial Planning Manager Janet Chenard added although it is not reflected in this quarter, the City was able to purchase a \$500 thousand piece of a non-callable municipal bond with a 0.87 percent return and a maturity date in mid-2016, a relatively short maturity for the yield.

In further discussion regarding investments and returns, Ms. Chenard explained that in the recent past there has been no rationale in moving funds from the State Pool, since the Pool has been able to get a better return than available to the City via the market. However, the City continues to be open to investments that are a good value on a duration basis.

In response to inquiries, Ms. Brewer stated that hiring Davidson has remained a good choice for the City. Ms. Chenard added that the Deanne Woodring, the managing director for Davidson Fixed Income Management (DFIM), will attend a future investment council meeting and be available for questions.

III. DFIM APPROVED BROKER/DEALER LIST

Ms. Chenard explained the rationale behind using Davidson Fixed Income Management's approved broker/dealer list (Attachment B) as outlined in the City's Investment Council approved Investment Procedures. Since the last meeting there have been several additions to the list: Daiwa Capital Markets America, GX Clarke, Mesirow Financial, and Nomura Securities International as well as a name change due to a buyout: from Morgan Keegan to Raymond James Financial. None of the Councilors expressed concern about any of the particular names on the list, and acknowledged that headline risk was something they would be less concerned with since the broker/dealers are simply pass-through agents for the securities which the City would purchase.

MOTION: City Attorney Fewel moved to approve the updated DFIM broker/dealer list. Ms. Brewer seconded the motion and it passed unanimously.

IV. OPEN DISCUSSION

When raised, it was agreed that continuing future Investment Council meetings at 7:30am on the first Thursday after a complete week in the second month following quarter end would continue to work best for all Council members. The meeting dates are posted on the City's web site and reminders will be sent with agenda packets at least a week in advance of each meeting to ensure a quorum is available.

V. ADJOURNMENT

The meeting was adjourned at 7:53 a.m.

**City of Corvallis
Investment Council
February 15, 2013**

Quarterly Portfolio Summary for the Quarter Ending 12/31/2012:

	Treasury Report Pg. 27 <u>September 2012</u>	Treasury Report Pg. 27 <u>December 2012</u>	<u>Change</u>
Cash			
Petty Cash	\$9,957	\$10,257	\$300
Checking	\$1,841,829	\$410,452	-\$1,431,377
Money Market	\$0	\$0	\$0
State Pool (LGIP)*	\$16,894,555	\$33,269,755	\$16,375,200
*ORS maximum \$44,474,164			
Cash - Total	\$18,746,341	\$33,690,464	\$14,944,123
Investments - Total	\$13,000,000	\$13,000,000	\$0
Portfolio - Total	\$31,746,341	\$46,690,464	\$14,944,123

Investment Activity			
	<u>Description</u>	<u>Maturity/Call Date(s)</u>	<u>Par Value</u>
Call	FFCB .730% 11/21/14	11/21/2012	-\$3,000,000
Purchase	FFCB .550% 8/26/16	8/26/2016 Cont. Call	\$3,000,000
		Net Change in Investments	\$0

	Treasury Report Pg. 37-38 <u>September 2012</u>	Treasury Report Pg. 37-38 <u>December 2012</u>	<u>Change</u>
Book Yields			
Total Portfolio ¹	0.63	0.62	-0.01
Core Portfolio ²	0.71	0.66	-0.05
State Pool (LGIP)	0.60	0.60	0.00
2 Year Treasury	0.24	0.27	0.03
¹ Total City Cash & Investments			
² Invested Portion of City Portfolio			

Other Information:

The second quarter shows a net increase in ending cash balances of approximately \$14.9 million from the first quarter, due primarily to property taxes received in November and December. These balances are expected to be the highest of the year.



Davidson
Fixed Income Management
REGISTERED INVESTMENT ADVISER

DFIM APPROVED BROKER/DEALER LIST

BARCLAYS CAPITAL, INC.

BANC OF AMERICA MERRILL LYNCH INC.

CITIGROUP GLOBAL MARKETS INC.

CREDIT SUISSE SECURITIES (USA) LLC

DAIWA CAPITAL MARKETS AMERICA

DEUTSCHE BANK SECURITIES, INC.

GOLDMAN, SACHS & CO.

GX CLARKE

HSBC SECURITIES (USA), INC.

J.P. MORGAN SECURITIES, INC.

MESIROW FINANCIAL

MIZUHO SECURITIES USA, INC.

MORGAN STANLEY & CO, INC.

NOMURA SECURITIES INTERNATIONAL

RAYMOND JAMES FINANCIAL

RBC CAPITAL MARKETS CORPORATION

SEATTLE-NORTHWEST SECURITIES CORPORATION

UBS SECURITIES, LLC

WELLS FARGO INSTITUTIONAL SECURITIES, LLC

DAVIDSON FIXED INCOME MANAGEMENT, INC.
QUARTER ENDING MARCH 2013

Market Yields: What has really changed in the current market environment over the last year is yield volatility. In the old days, less than five years ago, the 2 year yields would move by over 200 basis points intra-year. This provided for opportunities and strategic value in timing and yield curve positioning. In 2008 the high of the 2 year was 3.07% and the low was .75%, with a range of 228 basis points. In 2004 the high was 3.03% and the low was 1.58%, or a change of 145 basis points. Compare that to the change in the 2 year note in 2012 of 12 basis points, a high of .33% and low of .21%. What you will say is “HOW BORING,” “REALLY LOW” and “REALLY CHALLENGING TO MANAGE.” So we ask, can you make a difference in returns? The answer is “yes you can” through: 1) Maintaining low liquidity balances, 2) Remaining fully invested, 3) Utilizing duration, and 4) Focusing on the added spread in the portfolios relative to liquid alternatives. DFIM continues to focus on identifying specific purposes of funds to ensure that the investment profile matches the investment strategy.

The Government Dysfunction: The dysfunctional fiscal policy in Washington has started to move to a less heightened concern:

- The fiscal cliff compromise on tax rates was completed on New Year’s Day, with the so-called Bush tax cuts locked into place for 99% of Americans.
- The automatic spending sequester was signed into law on March 1, with \$85 billion in spending cuts through the end of the current fiscal year, with an additional \$1.1 trillion in spending cuts coming over the next decade.
- The March 27 deadline for the “Continuing Resolution” to fund the federal government was also pushed back to the end of the current fiscal year on Sept. 30.
- The \$16 trillion federal debt ceiling was temporarily suspended at year-end and Congress agreed to add about \$500 billion to it into the second quarter, at which point Washington will review the state of its finances.

The Economy: *Source - Action Economics*

On Labor

“For today’s household survey data, we saw a big 206k March civilian employment drop alongside an even bigger 496k labor force decline, after a February report that revealed a 170k civilian employment gain but a 130k labor force decline that left an ugly 483k labor force drop through Q1 overall. The cycle will likely continue to display the disturbing quality of moves into and out of negative growth territory for the civilian and labor force series.”

On the Economy

“For the quarterly outlook, our Q1 GDP growth forecast was raised to 3.5% (was 3.0%) after a 0.4% Q4 clip. We've seen a 3.5% hours-worked growth clip in Q1, following a 1.7% Q4 pace. We expect 2.7% Q4/Q4 real GDP growth in 2013 that outpaces 2.1% Q4/Q4 growth in hours-worked for a 0.6% overshoot, following a 0.4% undershoot in 2012 with respective growth rates of 1.7% and 2.1%.”

Fed Policy

“The FOMC didn't spring any major surprises, leaving rates and QE thresholds intact. Few believed that the Fed had the ammunition or inclination to make anything other than the most subtle shifts to its references for the economic and inflation outlooks. The economy managed to shrug off its "transitory factors" and was awarded the title of returning to "moderate growth" once again, following its "pause" in January. The most significant development was the explicit reference to more restrictive fiscal policy, which ensured that the Fed wouldn't veer from its ultra-accommodative

course just yet.”

Indicator	2008	2009	2010	2011	2012	2013 est
Real GDP	-3.0	-3.10	2.40	1.80	2.20	2.00
CPI (YOY)	3.85	-0.35	1.63	3.17	2.08	1.90
Unemployment	5.80	9.30	9.60	8.90	8.10	7.60

Source: Bloomberg Fed Forecasts

Composite Economist’s Rate Projections: No change is projected for overnight rates through Q4 -2013. 10 year rates are expected to trend higher, but shorter rates are being held down by fed policy.

Maturity	2010 Ending	2011 Ending	2012 Ending	Q1 2013 est	Q2 2013 est	Q3 2013 est	Q4 2013 est
Fed Bank Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
2 Year	0.60	0.24	0.25	0.24	0.29	0.36	0.43
10 Year	3.33	1.92	1.76	1.85	1.96	2.11	2.25

Source: Bloomberg ECFC

STRATEGY:

- Continue to remain fully invested
- Move towards a duration neutral position by mid -2014
- Look at credit addition in high quality securities only. Spreads are tight but credit risk is lower.

CHANGES IN THE TREASURY MARKET:

	12/31/10	12/31/11	12/31/12	3/31/13
3-month bill	0.13	0.01	0.04	0.07
2-year note	0.59	0.25	0.25	0.24
5-year note	2.00	0.87	0.72	0.76
10-year note	3.30	1.95	1.76	1.84

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	\$31,015,678.55	60.00%	69.5%	9.51%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$13,602,569.00	40.00%	30.5%	-9.51%
Total			\$44,618,247.55			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	70%	Yes
Under 1 Year	> 25%	79%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.74	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	\$44,618,247.55	Yes
Federal Agency and Agency Sponsored	100%	40%	29.36%	\$13,099,949.00	5 Years	\$31,518,298.55	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	1.39%	\$620,190.10		\$10,534,371.79	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$4,461,824.76	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$4,461,824.76	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	1.13%	\$502,620.00	5 Years	\$3,959,204.76	Yes
State Pool	ORS Maximum or 100%		68.12%	\$30,395,488.45	N/A	\$14,603,724.55	Yes
Total			100.00%	\$44,618,247.55			

ORS Maximum \$44,999,213.00

Policy : August 2012

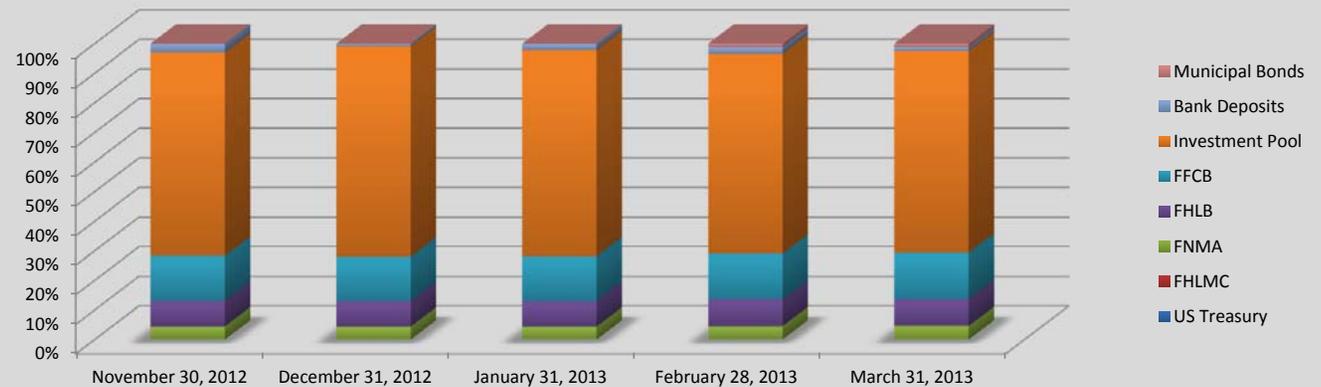
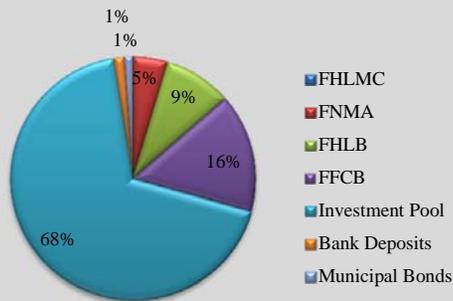
Total Asset Allocation Strategy
(Market Values)

Commentary

The portfolio performed well again this month as interest rates moved lower. There were no bond transactions in March and the portfolio continues to outperform the benchmark. Since June 2012, the core portfolio's total return is .555% vs the .358% return of the 0-3 year treasury index.

Sector	Yield	November 30, 2012	December 31, 2012	January 31, 2013	February 28, 2013	March 31, 2013	Change From Last Month
US Treasury	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FHLMC	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FNMA	0.81%	\$2,070,960.00	\$2,069,022.00	\$2,065,944.00	\$2,063,912.00	\$2,062,370.00	(\$1,542.00)
FHLB	0.59%	\$4,029,916.00	\$4,028,721.00	\$4,025,637.00	\$4,021,924.00	\$4,019,721.00	(\$2,203.00)
FFCB	0.65%	\$7,019,088.00	\$7,013,540.00	\$7,003,177.00	\$7,008,940.00	\$7,017,858.00	\$8,918.00
Investment Pool	0.60%	\$31,837,437.23	\$33,269,754.70	\$32,356,275.41	\$30,431,888.53	\$30,395,488.45	(\$36,400.08)
Bank Deposits	0.25%	\$1,436,019.33	\$420,709.34	\$995,542.22	\$1,033,811.07	\$620,190.10	(\$413,620.97)
Municipal Bonds	0.88%	\$0.00	\$0.00	\$0.00	\$501,550.00	\$502,620.00	\$1,070.00
Total	0.66%	\$46,393,420.56	\$46,801,747.04	\$46,446,575.63	\$45,062,025.60	\$44,618,247.55	(\$443,778.05)

Current Sector Allocation





DETAIL AMORTIZATION COST RETURN
CITY OF CORVALLIS TOTAL

From 02-28-13 to 03-31-13

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	8,479.17	-3,155.48	0.00	5,323.69
AGENCY CALLABLE	2,759.17	144.81	0.00	2,903.97
MUNICIPALS	403.79	-1.91	0.00	401.88
CASH & EQUIVALENTS	205.40	0.00	0.00	205.40
OR STATE POOL	14,363.21	0.00	0.00	14,363.21
TOTAL	26,210.74	-3,012.58	0.00	23,198.16

SUMMARY OF AMORTIZED COST BASIS
RETURN FOR THE PERIOD
CITY OF CORVALLIS TOTAL
 February 28, 2013 to March 31, 2013

	Total Portfolio
Interest Earned	26,210.74
Accretion/Amortization	-3,012.58
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	23,198.16
Average Daily Historical Cost	45,073,774.86
Return	0.05%
Annualized Return	0.61%
Annualized Return Net of Fees	0.61%
Weighted Duration to Maturity in Years	0.73
Weighted Days to Maturity	272

CITY OF CORVALLIS TOTAL PORTFOLIO HOLDINGS

March 31, 2013

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	100.25	0.71	100.40	0.08	1,003,995.00	5,208.33	1,009,203.33	1,457.25	2.3	0.22	0.22
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.24	0.55	100.52	0.16	3,015,726.00	6,854.17	3,022,580.17	8,573.29	6.8	0.74	0.74
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	102.06	0.81	103.12	0.40	2,062,370.00	13,993.06	2,076,363.06	21,106.21	4.6	2.51	2.51
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.99	0.75	100.89	0.47	2,017,718.00	4,458.33	2,022,176.33	18,009.25	4.5	3.16	3.16
	8,000,000					0.69		0.29	8,099,809.00	30,513.89	8,130,322.89	49,146.00	18.2	1.73	1.73
AGENCY CALLABLE															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	Cont. call	11-15-12	99.88	0.59	100.00	0.55	3,000,114.00	1,604.17	3,001,718.17	3,791.18	6.7	3.37	3.37
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	Cont. call	09-19-12	99.89	0.71	100.00	0.68	2,000,026.00	188.89	2,000,214.89	2,205.79	4.5	3.44	3.44
	5,000,000					0.64		0.60	5,000,140.00	1,793.06	5,001,933.06	5,996.97	11.2	3.40	3.40
CASH & EQUIVALENTS															
CASH	10,257	CASH 0.100% Due 04-01-13		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	609,933	Corvallis Wells Fargo 0.250% Due 04-01-13		02-28-13	1.00	0.25	1.00	0.25	609,933.10	0.00	609,933.10	0.00	1.4	0.00	0.00
	620,190					0.25		0.25	620,190.10	0.00	620,190.10	0.00	1.4	0.00	0.00
MUNICIPALS															
731418KU2	500,000	POLK MARION & BENTON SD 0.881% Due 06-15-16		02-01-13	100.01	0.88	100.52	0.71	502,620.00	587.33	503,207.33	2,547.89	1.1	3.16	3.16
OR STATE POOL															
ORPOOL	1,500,000	OREGON STATE POOL 0.540% Due 04-01-13		09-19-12	1.00	0.54	1.00	0.54	1,500,000.00	0.00	1,500,000.00	0.00	3.4	0.00	0.00
ORPOOL	28,895,488	OREGON STATE POOL 0.540% Due 04-01-13		01-01-13	1.00	0.54	1.00	0.54	28,895,488.45	0.00	28,895,488.45	0.00	64.8	0.00	0.00
	30,395,488					0.54		0.54	30,395,488.45	0.00	30,395,488.45	0.00	68.1	0.00	0.00
TOTAL	44,515,679					0.58		0.50	44,618,247.55	32,894.28	44,651,141.83	57,690.87	100.0	0.73	0.73

*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 03-01-13 To 03-31-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Deposit							
03-31-13	03-31-13	manfee		Management Fee **		1,500.00	
Interest							
03-26-13	03-26-13	3133EA2D9		FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16		6,800.00	
03-31-13	03-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 04-01-13		690.41	
03-31-13	03-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 04-01-13		13,672.80	
03-31-13	03-31-13	CBANK3		Corvallis Wells Fargo 0.250% Due 04-01-13		205.40	
						21,368.61	
Deliver out long							
03-26-13		cash		Cash Account		6,800.00	
Sell long							
03-31-13	03-31-13	CBANK3	413,621	Corvallis Wells Fargo 0.250% Due 04-01-13		413,620.97	
03-31-13	03-31-13	ORPOOL	36,400	OREGON STATE POOL 0.540% Due 04-01-13		36,400.08	
						450,021.05	

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

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

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 March 31, 2013

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
MUNICIPAL BONDS(Straight Line)									
POLK MARION & BENTON SD 0.881% Due 06-15-16 (731418KU2)									
500,000	1	02-01-13	100.015	500,075.00	-1.91	-2.89	-2.89	-72.11	500,072.11
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	-1,362.89	-3,954.84	-19,300.21	-41,263.79	2,041,263.79
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	-820.20	-2,381.23	-13,070.29	-7,152.71	3,007,152.71
FEDERAL HOME LN BKS 1.875% Due 06-21-13 (3133XXYX9)									
1,000,000	1	05-11-11	102.429	1,024,290.00	-980.12	-2,845.50	-21,752.25	-2,537.75	1,002,537.75
Total				4,044,513.00	-1,800.32	-5,226.72	-34,822.54	-9,690.46	4,009,690.46
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	7.72	22.42	68.75	291.25	1,999,708.75
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	53.08	154.11	320.21	2,179.79	1,997,820.21
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	91.73	266.30	372.82	3,677.18	2,996,322.82
Total				4,993,450.00	144.81	420.41	693.03	5,856.97	4,994,143.03
CASH(Straight Line)									
CASH 0.100% Due 04-01-13 (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 04-01-13 (CBANK3)									

*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.

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 March 31, 2013

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
609,933	8	02-28-13	1.000	609,933.10	0.00	0.00	0.00	0.00	609,933.10
Total				620,190.10	0.00	0.00	0.00	0.00	620,190.10
POOL(Straight Line)									
OREGON STATE POOL 0.540% Due 04-01-13 (ORPOOL)									
1,500,000	3	09-19-12	1.000	1,500,000.00	0.00	0.00	0.00	0.00	1,500,000.00
28,895,488	9	01-01-13	1.000	28,895,488.45	0.00	0.00	0.00	0.00	28,895,488.45
				30,395,488	0.00	0.00	0.00	0.00	30,395,488.45
GRAND TOTAL				44,613,920.55	-3,012.58	-8,741.63	-53,363.87	-44,878.13	44,560,556.68

*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 02-28-13 To 03-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
MUNICIPALS							
MUNICIPALS							
MUNICIPAL GENERAL OBLIGATION							
731418KU2	POLK MARION & BENTON SD 0.881% Due 06-15-16	183.54	0.00	0.00	0.00	403.79	587.33
		183.54	0.00	0.00	0.00	403.79	587.33
	MUNICIPALS Total	183.54	0.00	0.00	0.00	403.79	587.33
	MUNICIPALS Total	183.54	0.00	0.00	0.00	403.79	587.33
AGENCY							
AGENCY BULLET							
FHLB							
3133XXYX9	FEDERAL HOME LN BKS 1.875% Due 06-21-13	3,489.58	0.00	0.00	0.00	1,718.75	5,208.33
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	4,447.92	0.00	0.00	0.00	2,406.25	6,854.17
		7,937.50	0.00	0.00	0.00	4,125.00	12,062.50
FNMA							
31398A4M1	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	11,013.89	0.00	0.00	0.00	2,979.17	13,993.06
		11,013.89	0.00	0.00	0.00	2,979.17	13,993.06
FFCB							
3133EAUH9	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	3,083.33	0.00	0.00	0.00	1,375.00	4,458.33
		3,083.33	0.00	0.00	0.00	1,375.00	4,458.33
	AGENCY BULLET Total	22,034.72	0.00	0.00	0.00	8,479.17	30,513.89

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



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL

From 02-28-13 To 03-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
AGENCY CALLABLE							
FFCB							
3133EC3F9	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	91.67	0.00	0.00	0.00	1,512.50	1,604.17
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	5,742.22	0.00	0.00	-6,800.00	1,246.67	188.89
		5,833.89	0.00	0.00	-6,800.00	2,759.17	1,793.06
AGENCY CALLABLE Total		5,833.89	0.00	0.00	-6,800.00	2,759.17	1,793.06
AGENCY Total		27,868.61	0.00	0.00	-6,800.00	11,238.33	32,306.94
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 04-01-13	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 04-01-13	0.00	0.00	0.00	-205.40	205.40	0.00
		0.00	0.00	0.00	-205.40	205.40	0.00
CASH & EQUIVALENTS Total		0.00	0.00	0.00	-205.40	205.40	0.00
OR STATE POOL							
STATE INVESTMENT POOL							
ORPOOL	OREGON STATE POOL 0.540% Due 04-01-13	0.00	0.00	0.00	-14,363.21	14,363.21	0.00
		0.00	0.00	0.00	-14,363.21	14,363.21	0.00
OR STATE POOL Total		0.00	0.00	0.00	-14,363.21	14,363.21	0.00



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
From 02-28-13 To 03-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
CASH Total		0.00	0.00	0.00	-14,568.61	14,568.61	0.00
TOTAL PORTFOLIO		28,052.15	0.00	0.00	-21,368.61	26,210.74	32,894.28

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

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
MARCH 2013**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	5,467,743	5,957,118	(489,375)
Projected Activity	5,678,870	6,535,001	(856,131)
Difference	(211,127)	(577,883)	366,756

(1) Receipts include deposits and interest received.

Property tax receipts were lower than anticipated in March. Since overall assessed value projections came in at 0.5% growth rather than 3% growth, this is expected to continue for the remainder of the year. 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. Savings in salaries & wages, as well as in general services, contributed to lower than anticipated disbursements.

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 March 2013

Fund	Fund Name	* Month's Avg Cash Balance	Interest Distributed	Fund	Fund Name	* Month's Avg Cash Balance	Interest Distributed
101	General	4,200,775.72	2,031.58	460	Davidson Library	5,960.62	2.84
201	Street	504,460.31	231.12	501	Water	1,711,176.59	813.97
208	Street SDC	2,423,266.78	1,158.41	502	Water Timber	298,939.17	144.34
210	Parks & Recreation	2,259,659.98	1,110.13	508	Water SDC	4,780,178.15	2,289.32
211	Parks & Recreation - Aquatics	244,291.07	127.02	509	Water Construction	154,988.82	77.03
212	Open Space	94,791.20	45.52	520	Wastewater	2,237,962.08	1,039.19
218	Parks SDC	2,019,090.28	967.10	528	Wastewater SDC	8,945,147.36	4,288.07
220	911	467,667.82	241.58	529	Wastewater Construction	116,924.00	58.32
230	Development Services	984,808.06	491.68	540	Storm Water	1,178,324.93	566.63
240	Fire & Rescue	3,155,994.76	1,572.12	548	Storm Water SDC	76,830.11	36.76
250	Comm Dev Revolving	(332,423.17)	(120.86)	549	Storm Water Construction	76,459.51	36.76
260	Parking	1,052,746.20	504.41	560	Airport	656,610.83	318.01
270	Transit	1,724,153.53	816.45	569	Airport Construction	(48.94)	(0.01)
290	Library	2,186,333.94	1,104.06	610	Fleet Maintenance	56,630.01	27.79
291	Library 2010	406,561.06	195.29	615	Facility Maintenance	229,112.52	109.30
301	Capital Improvement	703,805.11	360.73	620	Technology & Communications	651,347.51	312.82
401	General Obligation Debt Service	831,123.92	394.76	625	Administrative Services	446,276.16	211.01
				630	Risk Management	1,031,467.26	496.72
Total						45,581,393.27	22,059.97

* Most investments earn interest over a 3 or 6 month period, so even if the most recent monthly average is positive, if prior months' cash balances in a given fund were negative, this could result in net negative earnings for that fund in the month interest is paid.

The accrual method of accounting is used for investments. The interest distributed will equal the monthly interest income accrual, net 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.

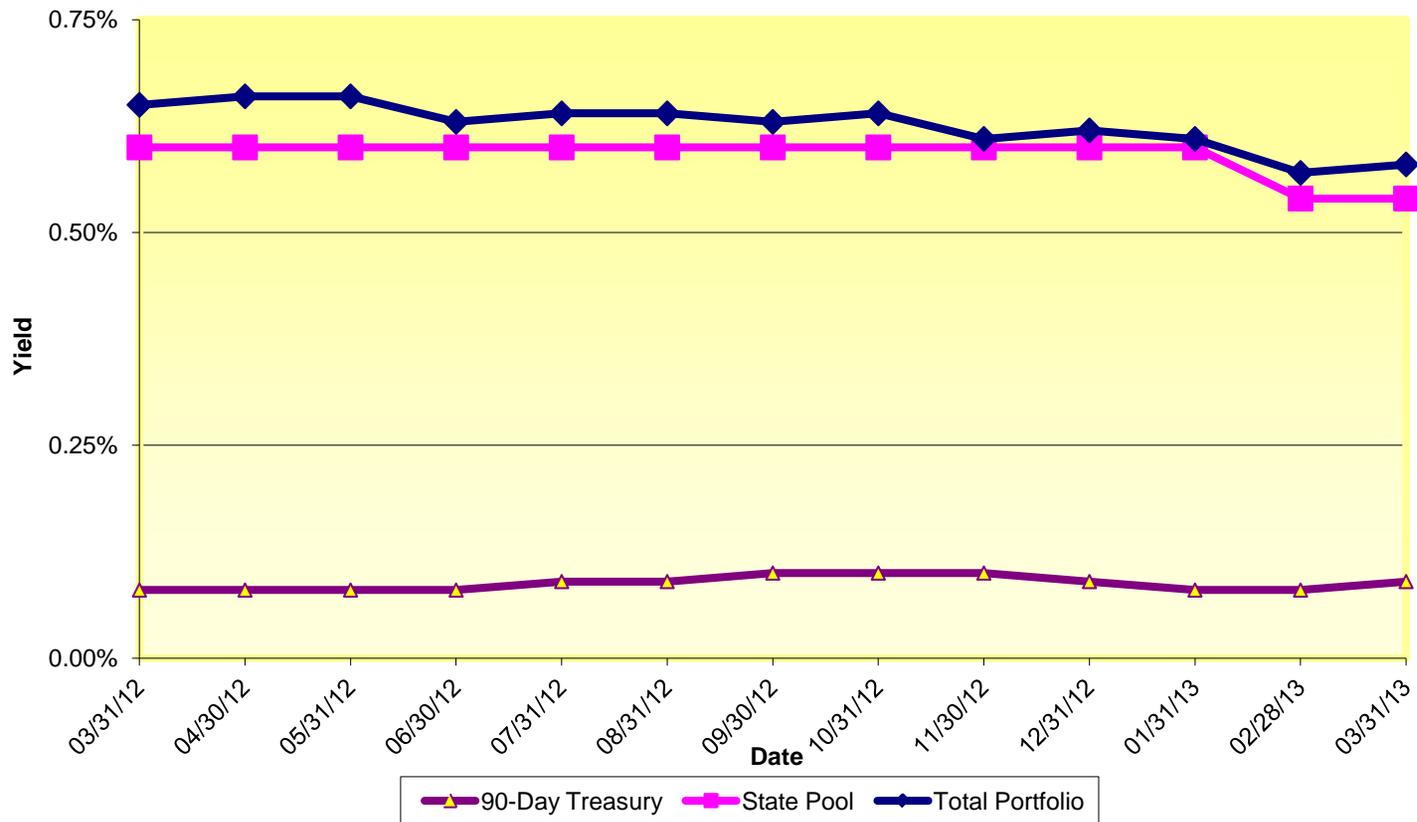
Interest to sub-funds 509, 529, 549, & 569 is distributed to the operations fund.



City of Corvallis

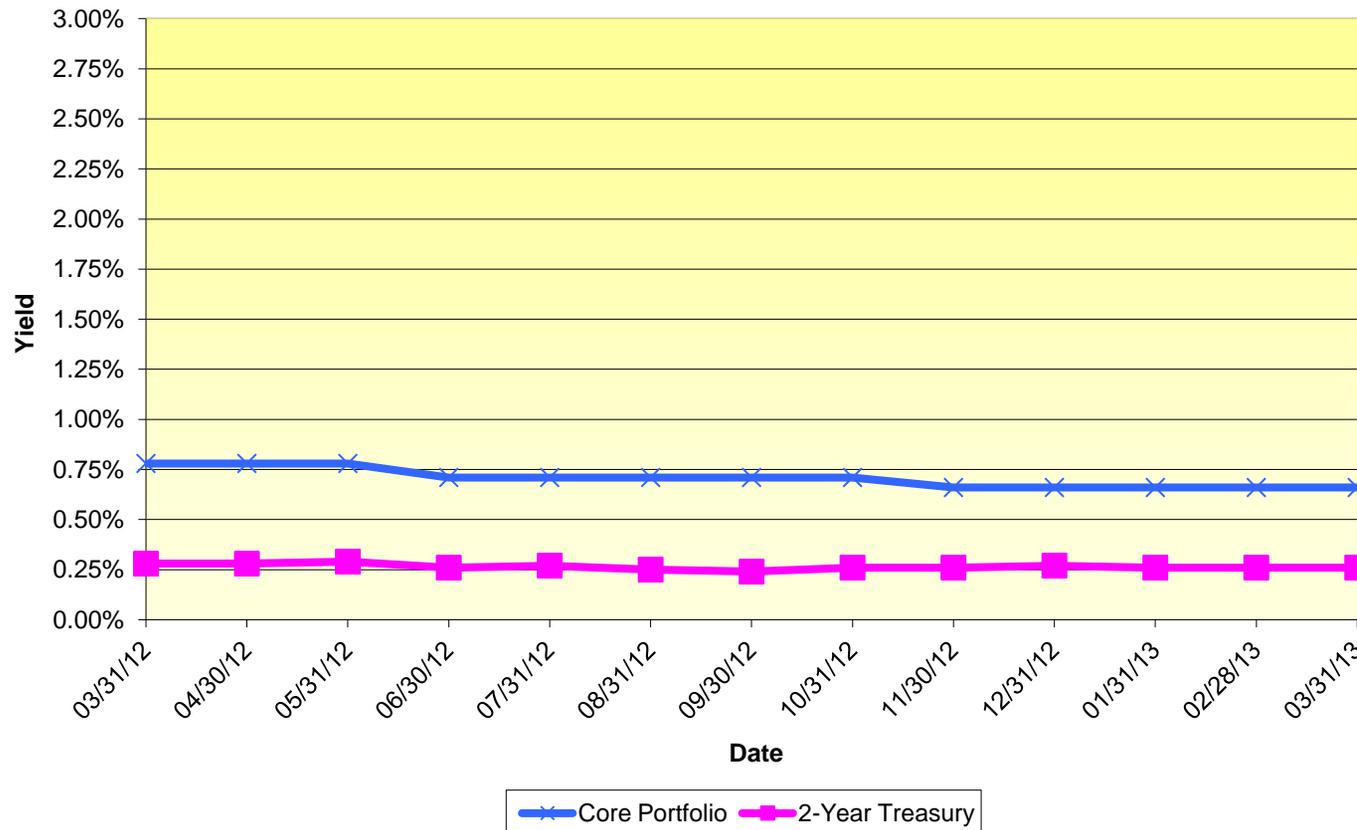
Total Portfolio vs. Benchmark

March 2012 - March 2013



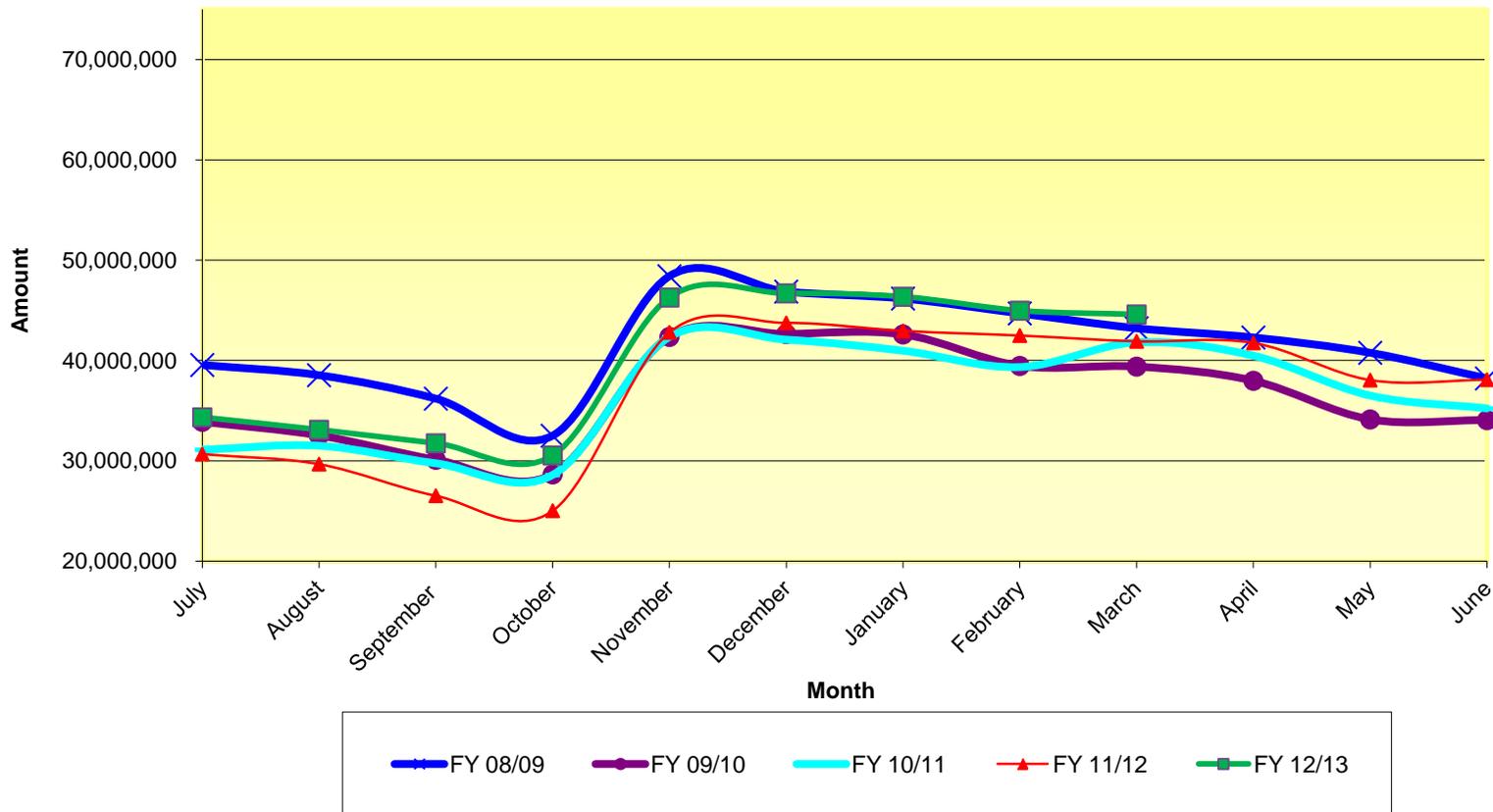


City of Corvallis Core Portfolio vs. Benchmark March 2012 - March 2013





City of Corvallis Cash & Investments





City of Corvallis Cash and Investments By Quarter

