

CITY OF CORVALLIS

Investment Council

Treasury Report

October 2013

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

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MONTHLY MARKET COMMENTARY

OCTOBER 2013

The major issue effecting financial markets in October was the Federal Government shutdown. The 16-day federal government shut down came to an end just after midnight on October 17, 2013. During the month, bond yields on short treasury bills moved dramatically higher as fears that a prolonged stalemate in Washington would lead to a default on U.S. government debt. For example, the 10/31/13 Treasury Bill reached a high of over 50 basis points on 10/15 but returned to .015 on 10/18. The following are the returns on U.S. Treasuries over the last twelve months:

Treasury Yield Curve Total Returns Over The Last 12 Months:

Maturity	Total Return (trailing 12 months)
3 Month Bill	0.085
1 Year Note	0.29
2 Year Note	0.20
3 Year Note	0.42
5 Year Note	-0.72

Source: Bloomberg

Non-farm Payrolls/Unemployment Report:

The unemployment numbers were delayed from the usual first Friday in the month release to October 22, after the Federal Government restarted. Non-farm payrolls in September rose 148,000. A gain of 180,000 was expected. The bond market reacted by yields moving to their lowest point during the month. Unemployment fell to 7.2%, its lowest level since December 2008.

The Fed:

As expected, in a 9-1 vote, the Fed left policy unchanged as well as its asset purchases at \$85 billion per month. The accompanying statement was little changed keeping the economy expanding at a moderate pace and labor markets better but unemployment is still elevated. The statement did say there were some signs of “underlying strength.” The fed funds target is expected to remain unchanged at 0% to .25%.

Other Economic Data:

- Consumer credit rose \$13.6 billion. Consumers continue to be cautious about adding debt, except for student loans.
- Existing home sales fell 1.9% to 2.59 million units annualized. Existing home sales are up 10.7% but remain 27.0% below their record high in September 2005.
- Initial jobless claims in the week ending October 19 fell 12,000 to 350,000. A decline to 340,000 was expected. Claims still remain elevated, but appear to be returning to pre-shutdown levels.

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

	<u>8/31/2013</u>	<u>9/30/2013</u>	<u>10/31/13</u>	<u>Change October</u>
3-month bill	0.02	0.01	0.04	+0.03
6-month bill	0.05	0.03	0.08	+0.05
2-year note	0.40	0.32	0.31	-0.01
3-year note	0.78	0.61	0.57	-0.04
5-year note	1.64	1.38	1.33	-0.05
10-year note	2.78	2.61	2.56	-0.05
30-year bond	3.70	3.69	3.64	-0.05

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	\$20,548,066.92	60.00%	60.3%	0.26%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$13,550,407.00	40.00%	39.7%	-0.26%
Total			\$34,098,473.92			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	60%	Yes
Under 1 Year	> 25%	69%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.82	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	\$34,098,473.92	Yes
Federal Agency and Agency Sponsored	100%	40%	35.34%	\$12,050,072.00	5 Years	\$22,048,401.92	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	14.62%	\$4,984,457.23		\$3,540,161.25	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$3,409,847.39	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$3,409,847.39	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	1.47%	\$500,335.00	5 Years	\$2,909,512.39	Yes
State Pool	ORS Maximum or 100%		48.58%	\$16,563,609.69	N/A	\$29,079,275.31	Yes
Total			100.00%	\$34,098,473.92			

ORS Maximum \$45,642,885.00

***Investment Policy Note:** Section 5.03.102 states "Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need to be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained."

Policy : August 2013

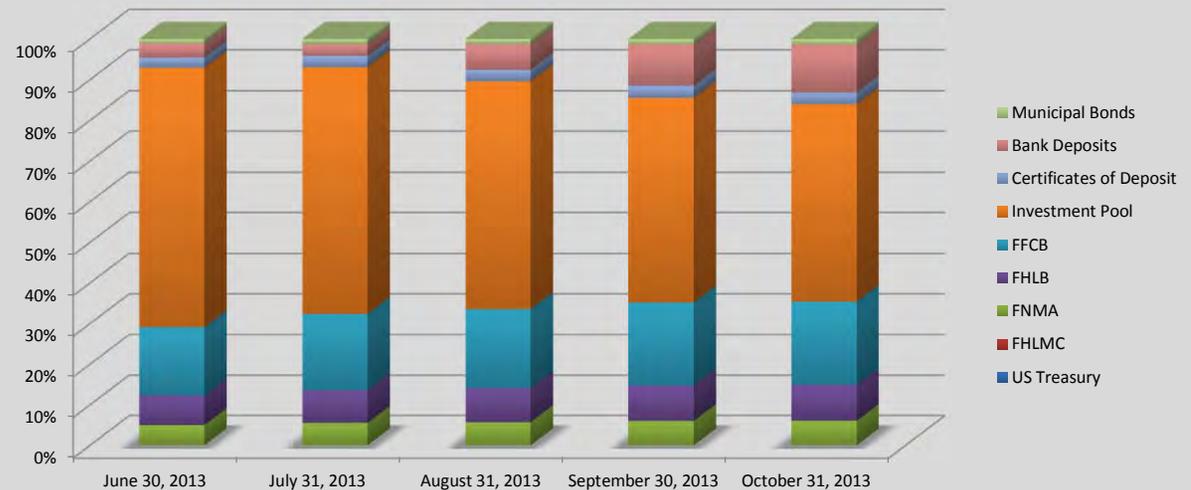
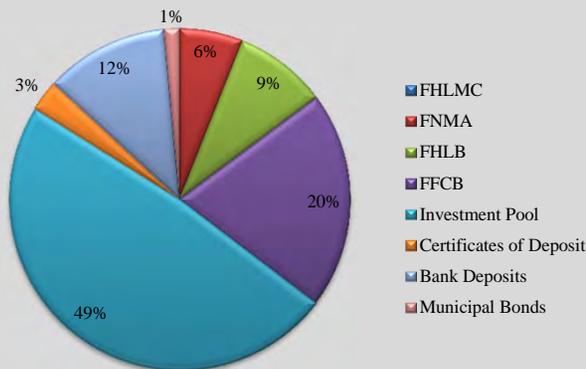
Total Asset Allocation Strategy
 (Market Values)

Commentary

The market values of securities in the core portfolio increased this month as interest rates declined again. The pool balance declined again this month and is now under \$17MM. The portfolio remains diversified between high quality issuers and is on target with the strategy. DFIM will continue to look for opportunities to add to the municipal sector, but supply has been light over the past several months.

Sector	Yield	June 30, 2013	July 31, 2013	August 31, 2013	September 30, 2013	October 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%	\$2,049,582.00	\$2,050,630.00	\$2,047,312.00	\$2,048,912.00	\$2,049,744.00	\$832.00
FHLB	0.55%	\$3,010,629.00	\$3,009,546.00	\$3,007,548.00	\$3,005,694.00	\$3,003,615.00	(\$2,079.00)
FFCB	0.65%	\$6,954,294.00	\$6,976,659.00	\$6,952,981.00	\$6,983,162.00	\$6,996,713.00	\$13,551.00
Investment Pool	0.54%	\$26,368,235.46	\$22,596,960.43	\$20,077,386.50	\$17,276,690.41	\$16,563,609.69	(\$713,080.72)
Certificates of Deposit	1.00%	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$0.00
Bank Deposits	0.25%	\$1,427,385.49	\$1,075,386.13	\$2,216,044.83	\$3,463,010.54	\$3,984,457.23	\$521,446.69
Municipal Bonds	0.88%	\$499,220.00	\$499,240.00	\$497,215.00	\$499,150.00	\$500,335.00	\$1,185.00
Total	0.69%	\$41,309,345.95	\$37,208,421.56	\$35,798,487.33	\$34,276,618.95	\$34,098,473.92	(\$178,145.03)

Current Sector Allocation





DETAIL AMORTIZATION COST RETURN
CITY OF CORVALLIS TOTAL
 From 09-30-13 to 10-31-13

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	6,350.69	-2,175.36	0.00	4,175.33
AGENCY CALLABLE	2,591.94	144.81	0.00	2,736.75
MUNICIPALS	379.32	-1.91	0.00	377.41
CASH & EQUIVALENTS	113.41	0.00	0.00	113.41
CERTIFICATE OF DEPOSITS	1,702.22	0.00	0.00	1,702.22
OR STATE POOL	8,788.03	0.00	0.00	8,788.03
TOTAL	19,925.61	-2,032.46	0.00	17,893.15

SUMMARY OF AMORTIZED COST BASIS
RETURN FOR THE PERIOD
CITY OF CORVALLIS TOTAL
 September 30, 2013 to October 31, 2013

	Total Portfolio
Interest Earned	19,925.61
Accretion/Amortization	-2,032.46
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	17,893.15
Average Daily Historical Cost	34,300,326.47
Return	0.05%
Annualized Return	0.62%
Annualized Return Net of Fees	0.62%
Weighted Duration to Maturity in Years	0.81
Weighted Days to Maturity	298



CITY OF CORVALLIS TOTAL PORTFOLIO HOLDINGS

October 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															
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.05	0.55	100.12	0.10	3,003,615.00	9,041.67	3,012,656.67	2,124.32	8.8	0.16	0.16
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	101.59	0.81	102.49	0.37	2,049,744.00	451.39	2,050,195.39	17,888.51	6.0	1.96	1.96
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.99	0.75	100.45	0.58	2,009,030.00	5,708.33	2,014,738.33	9,267.95	5.9	2.59	2.59
	7,000,000					0.68		0.31	7,062,389.00	15,201.39	7,077,590.39	29,280.78	20.7	1.37	1.37
AGENCY CALLABLE															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	11-14-13	11-15-12	99.90	0.59	99.77	0.63	2,993,187.00	2,979.17	2,996,166.17	-3,769.03	8.8	2.79	0.04
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	11-14-13	09-19-12	99.91	0.71	99.72	0.78	1,994,496.00	1,322.22	1,995,818.22	-3,690.64	5.8	2.87	0.04
	5,000,000					0.64		0.69	4,987,683.00	4,301.39	4,991,984.39	-7,459.67	14.6	2.82	0.04
CASH & EQUIVALENTS															
CASH	9,590	CASH 0.100% Due 11-01-13		11-30-12	1.00	0.10	1.00	0.10	9,590.00	0.00	9,590.00	0.00	0.0	0.00	0.00
CASH	918	CASH 0.100% Due 11-01-13		09-30-13	1.00	0.10	1.00	0.10	918.06	0.00	918.06	0.00	0.0	0.00	0.00
CBANK3	3,973,949	Corvallis Wells Fargo 0.050% Due 11-01-13		10-31-13	1.00	0.05	1.00	0.05	3,973,949.17	0.00	3,973,949.17	0.00	11.7	0.00	0.00
	3,984,457					0.05		0.05	3,984,457.23	0.00	3,984,457.23	0.00	11.7	0.00	0.00
CERTIFICATE OF DEPOSITS															
CORV001CD	1,000,000	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		04-19-13	100.00	1.00	100.00	0.98	1,000,000.00	5,389.58	1,005,389.58	0.00	2.9	2.41	2.41
MUNICIPALS															
731418KU2	500,000	POLK MARION & BENTON SD 0.881% Due 06-15-16		02-01-13	100.01	0.88	100.07	0.85	500,335.00	1,664.11	501,999.11	276.06	1.5	2.58	2.58
OR STATE POOL															
ORPOOL	1,000,000	OREGON STATE POOL 0.540% Due 11-01-13		06-21-13	1.00	0.54	1.00	0.54	1,000,000.00	0.00	1,000,000.00	0.00	2.9	0.00	0.00
ORPOOL	15,563,610	OREGON STATE POOL 0.540% Due 11-01-13		06-30-13	1.00	0.54	1.00	0.54	15,563,609.69	0.00	15,563,609.69	0.00	45.6	0.00	0.00
	16,563,610					0.54		0.54	16,563,609.69	0.00	16,563,609.69	0.00	48.6	0.00	0.00
TOTAL	34,048,067					0.54		0.47	34,098,473.92	26,556.47	34,125,030.39	22,097.17	100.0	0.81	0.40

*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 10-01-13 To 10-31-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Buy long							
10-31-13	10-31-13	CBANK3	3,973,949	Corvallis Wells Fargo 0.050% Due 11-01-13		3,973,949.17	
Deposit							
10-31-13	10-31-13	manfee		Management Fee		1,500.00	
Interest							
10-19-13	10-19-13	CORV001CD		OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		845.41	
10-26-13	10-26-13	31398A4M1		FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		16,250.00	
10-31-13	10-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 11-01-13		443.84	
10-31-13	10-31-13	CBANK3		Corvallis Wells Fargo 0.050% Due 11-01-13		113.41	
10-31-13	10-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 11-01-13		8,344.19	
						25,996.85	
Deliver out long							
10-28-13		cash		Cash Account		16,250.00	
Sell long							
10-31-13	10-31-13	CBANK3	3,452,502	Corvallis Wells Fargo 0.050% Due 11-01-13		3,452,502.48	
10-31-13	10-31-13	ORPOOL	713,081	OREGON STATE POOL 0.540% Due 11-01-13		713,080.72	
						4,165,583.20	

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
October 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	-16.06	-16.06	-58.94	500,058.94
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	-13,363.14	-28,708.51	-31,855.49	2,031,855.49
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	-8,043.25	-18,732.32	-1,490.68	3,001,490.68
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	75.72	122.05	237.95	1,999,762.05
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	520.55	686.64	1,813.36	1,998,186.64
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	899.51	1,006.03	3,043.97	2,996,956.03
Total				4,993,450.00	144.81	1,420.05	1,692.67	4,857.33	4,995,142.67
CERTIFICATES OF DEPOSIT(Unadjusted)									
OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16 (CORV001CD)									
1,000,000	1	04-19-13	100.000	1,000,000.00	0.00	0.00	0.00	0.00	1,000,000.00
CASH(Straight Line)									
CASH 0.100% Due 11-01-13 (CASH)									
9,590	6	11-30-12	1.000	9,590.00	0.00	0.00	0.00	0.00	9,590.00
918	7	09-30-13	1.000	918.06	0.00	0.00	0.00	0.00	918.06
10,508				10,508.06	0.00	0.00	0.00	0.00	10,508.06
Corvallis Wells Fargo 0.050% Due 11-01-13 (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
 October 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
3,973,949	12	10-31-13	1.000	3,973,949.17	0.00	0.00	0.00	0.00	3,973,949.17
Total				3,984,457.23	0.00	0.00	0.00	0.00	3,984,457.23
POOL(Straight Line)									
OREGON STATE POOL 0.540% Due 11-01-13 (ORPOOL)									
1,000,000	4	06-21-13	1.000	1,000,000.00	0.00	0.00	0.00	0.00	1,000,000.00
15,563,610	11	06-30-13	1.000	15,563,609.69	0.00	0.00	0.00	0.00	15,563,609.69
				16,563,610	0.00	0.00	0.00	0.00	16,563,609.69
GRAND TOTAL				34,122,018.92	-2,032.46	-19,926.68	-45,642.17	-28,309.83	34,076,376.75

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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.



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 09-30-13 To 10-31-13

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	1,284.79	0.00	0.00	0.00	379.32	1,664.11
		1,284.79	0.00	0.00	0.00	379.32	1,664.11
MUNICIPALS Total		1,284.79	0.00	0.00	0.00	379.32	1,664.11
MUNICIPALS Total		1,284.79	0.00	0.00	0.00	379.32	1,664.11
AGENCY							
AGENCY BULLET							
FHLB							
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	6,781.25	0.00	0.00	0.00	2,260.42	9,041.67
		6,781.25	0.00	0.00	0.00	2,260.42	9,041.67
FNMA							
31398A4M1	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	13,902.78	0.00	0.00	-16,250.00	2,798.61	451.39
		13,902.78	0.00	0.00	-16,250.00	2,798.61	451.39
FFCB							
3133EAUH9	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	4,416.67	0.00	0.00	0.00	1,291.67	5,708.33
		4,416.67	0.00	0.00	0.00	1,291.67	5,708.33
AGENCY BULLET Total		25,100.69	0.00	0.00	-16,250.00	6,350.69	15,201.39

INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 09-30-13 To 10-31-13

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	1,558.33	0.00	0.00	0.00	1,420.83	2,979.17
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	151.11	0.00	0.00	0.00	1,171.11	1,322.22
		1,709.44	0.00	0.00	0.00	2,591.94	4,301.39
AGENCY CALLABLE Total		1,709.44	0.00	0.00	0.00	2,591.94	4,301.39
AGENCY Total		26,810.14	0.00	0.00	-16,250.00	8,942.64	19,502.78
CERTIFICATE OF DEPOSIT							
CERTIFICATE OF DEPOSITS							
CERTIFICATE OF DEPOSITS							
CORV001CD	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16	4,532.78	0.00	0.00	-845.41	1,702.22	5,389.58
		4,532.78	0.00	0.00	-845.41	1,702.22	5,389.58
CERTIFICATE OF DEPOSIT Total		4,532.78	0.00	0.00	-845.41	1,702.22	5,389.58
CERTIFICATE OF DEPOSIT Total		4,532.78	0.00	0.00	-845.41	1,702.22	5,389.58
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 11-01-13	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.050% Due 11-01-13	0.00	0.00	0.00	-113.41	113.41	0.00
		0.00	0.00	0.00	-113.41	113.41	0.00



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 09-30-13 To 10-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
	CASH & EQUIVALENTS Total	0.00	0.00	0.00	-113.41	113.41	0.00
	OR STATE POOL						
	STATE INVESTMENT POOL						
ORPOOL	OREGON STATE POOL 0.540% Due 11-01-13	0.00	0.00	0.00	-8,788.03	8,788.03	0.00
		0.00	0.00	0.00	-8,788.03	8,788.03	0.00
	OR STATE POOL Total	0.00	0.00	0.00	-8,788.03	8,788.03	0.00
	CASH Total	0.00	0.00	0.00	-8,901.44	8,901.44	0.00
TOTAL PORTFOLIO		32,627.71	0.00	0.00	-25,996.85	19,925.61	26,556.47

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 agency securities are held with US Bank, the City's third-party safekeeper and OSU Federal Credit Union.

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
OCTOBER 2013**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	5,585,504	7,330,381	(1,744,877)
Average of Prior Three Years (3)	5,872,967	7,189,980	(1,317,013)
Difference	(287,463)	140,401	(427,864)

(1) Receipts represent all revenues recorded for the month, including any property taxes, fees, charges for service, interest earnings, grants, etc. Lower receipts in the current month compared to the average of the prior three years is primarily due to decreased federal grant revenue. Increased city revenues over the prior three years' average in charges for services, fire revenues, licenses and permits, and community development; have mitigated the impact of decreased federal receipts.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer. Higher disbursements in the current month compared to the average of the prior years is primarily due to a timing issue with an early payment of Pension Obligation Bond interest normally paid in November.

(3) In previous years, the cash flow summary has been a comparison of actual activity to scheduled/budgeted cashflow. As of FY13-14, monthly cashflowing has been discontinued for budget purposes due to technology and staffing resource issues. Instead, a three-year average is considered a good proxy for comparison to highlight changes in activity in the current year.

Note: 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 in either receipts or disbursements.

City of Corvallis
Monthly Revenue Allocations
Distributed in October 2013

Fund	Fund Name	Month's Avg Cash Balance *	Interest Distributed	Fund	Fund Name	Month's Avg Cash Balance *	Interest Distributed
101	General (2)	(2,960,571.06)	3,508.06	509	Water Construction (1)	770,839.22	133.86
201	Street	288,351.25	97.92	520	Wastewater	2,454,579.88	653.67
208	Street SDC	2,360,908.09	1,191.53	528	Wastewater SDC	10,148,484.26	5,151.71
218	Parks SDC	2,636,925.12	1,295.75	529	Wastewater Construction (1)	305,768.62	36.15
220	911	672,653.97	154.98	540	Storm Water	931,291.14	267.21
230	Development Services	2,125,580.78	507.52	548	Storm Water SDC	101,502.14	50.74
250	Comm Dev Revolving (3)	(295,754.71)	(170.00)	549	Storm Water Construction (1) (3)	49,102.46	(9.00)
260	Parking	1,010,168.91	257.49	560	Airport	581,448.92	295.08
270	Transit	1,983,706.96	497.48	569	Airport Construction (1)	1,994.28	1.00
301	Capital Improvement	686,232.57	141.47	610	Fleet Maintenance	77,976.80	20.83
401	General Obligation Debt Service (4)	(50,942.66)	(13.00)	615	Facility Maintenance	167,872.60	42.85
460	Davidson Library	5,513.75	2.79	620	Technology & Communications	605,811.28	153.68
501	Water	1,964,253.95	524.77	625	Administrative Services	383,093.02	95.17
502	Water Timber	405,621.41	104.55	630	Risk Management	955,783.81	244.37
508	Water SDC	5,614,791.64	2,847.28				
Total						33,982,988.41	18,085.91

* Monthly interest earnings accrued/acreted and market adjusted are allocated based on the average cash balance for the period in which interest is earned. 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.

(1) Interest based on construction component fund cash balances for 509, 529, 549, & 569 is distributed to the related operations fund.

(2) In FY 13/14 property tax services have been consolidated into the general fund (101). Thus, Funds 210, 211, 240 and 290 will be closed out at year-end, so all interest associated with these five fund cash balances is now distributed directly to the General Fund (101). Current General Fund (101) negative cash balance reflects awaiting property taxes. Current General Fund (101) positive interest distribution reflects a positive average cash balance during the earnings period.

(3) CD Revolving Fund and Storm Water Construction Funds are carrying negative cash balances due to timing of grant reimbursements relative to expenditures.

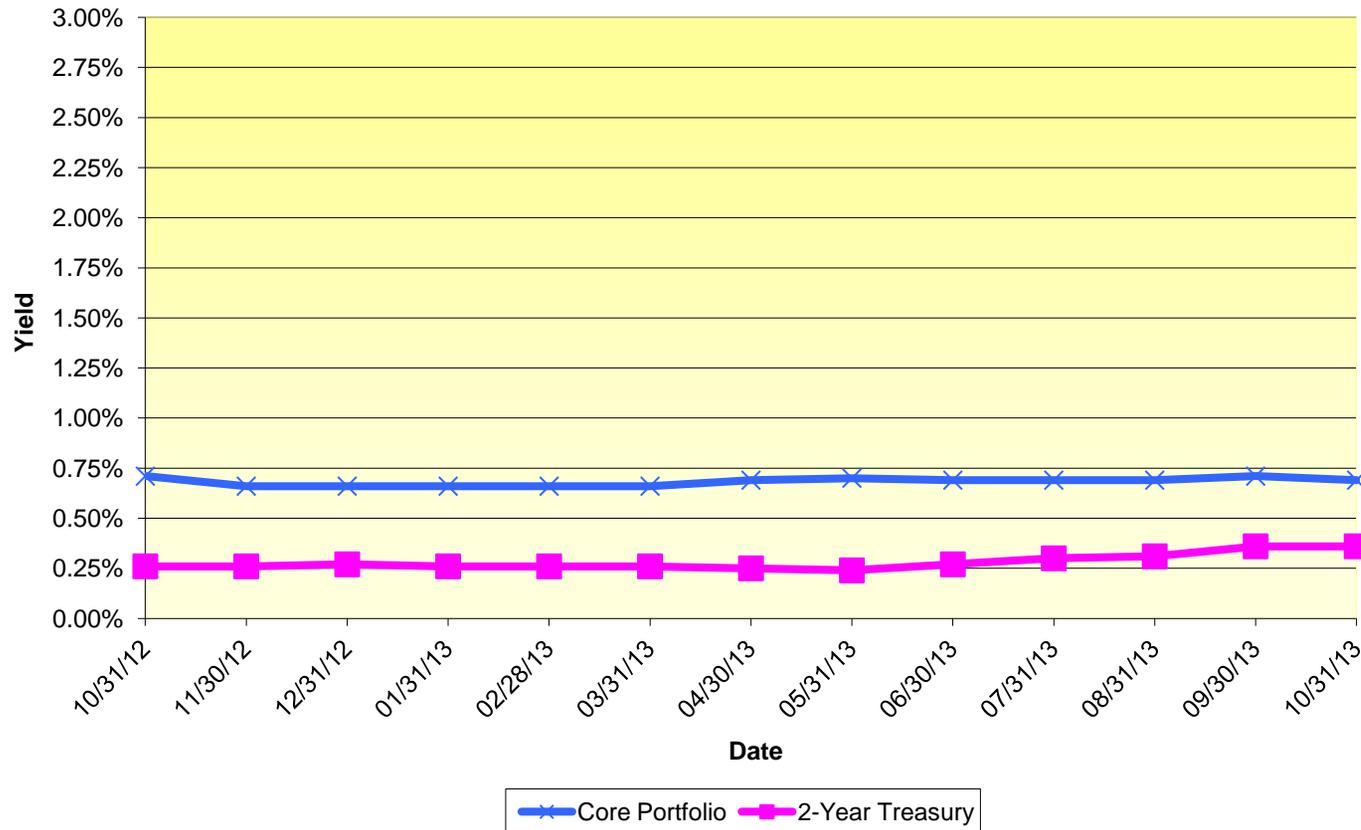
(4) GO Debt Service Fund is currently carrying a negative cash balance due to a combination of timing of property tax receipts not anticipated until November, and the HP refund that was paid out in July with respect to this levy.



City of Corvallis

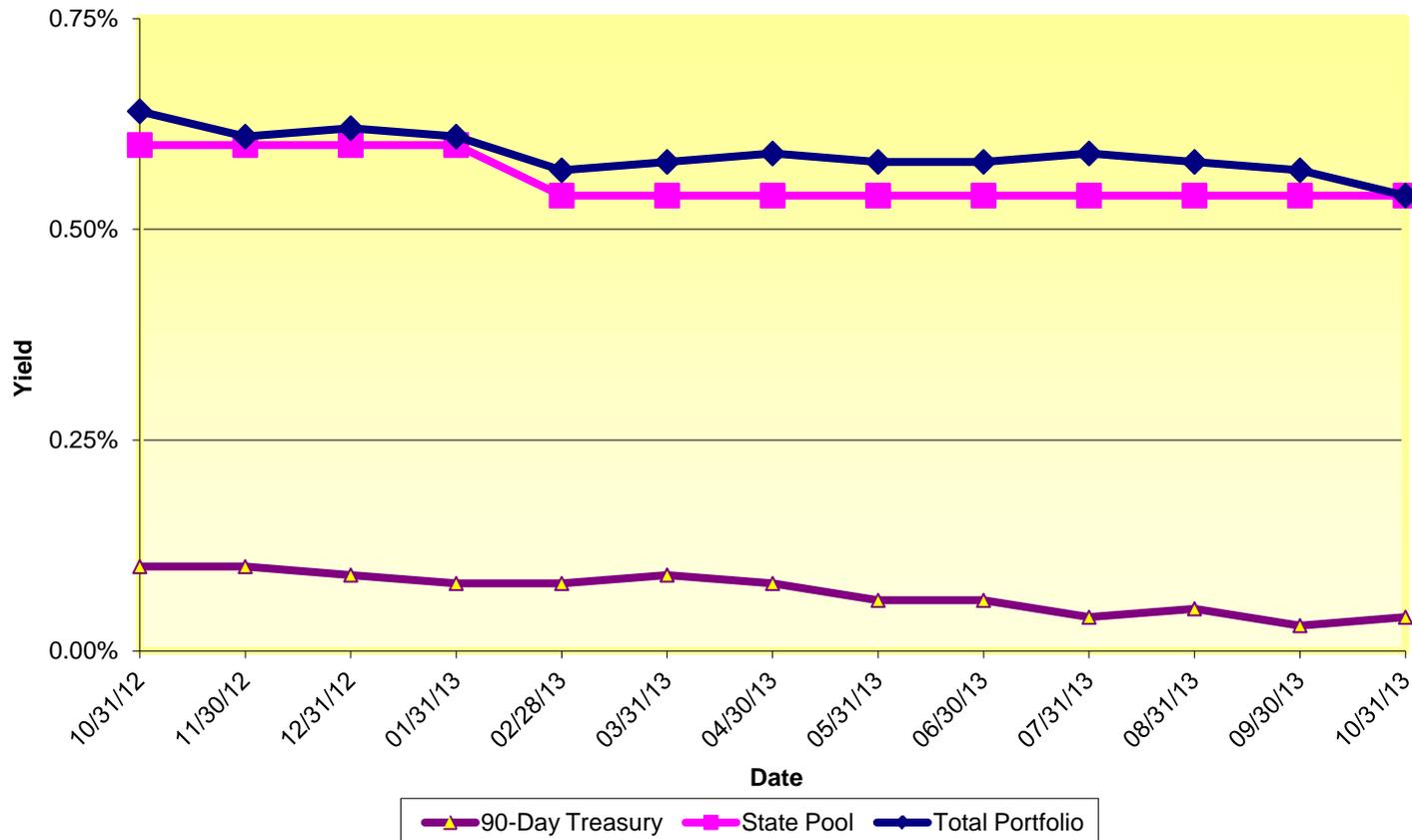
Core Portfolio vs. Benchmark

Oct 2012 - Oct 2013





City of Corvallis Total Portfolio vs. Benchmark Oct 2012 - Oct 2013





City of Corvallis Cash & Investments

