

**CITY OF CORVALLIS**

*Investment Council*

*Treasury Report*

September 2013

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

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**INVESTMENT COUNCIL MEETING**

**November 7, 2013  
Madison Avenue Meeting Room (MAMR)  
Thursday – 7:30 am**

**\*\*\*AGENDA\*\*\***

- I. Approve Draft Minutes of Previous Meeting  
- August 8, 2013
- II. Fiscal Year 2013-2014 First Quarter Review  
- Quarterly Portfolio Summary
- III. Investment Procedure – Admin Policy Finaled – Corporate Securities List
- IV. Financial Policy update
- V. Open Discussion

**\*\*\*Next Meeting – Feb. 6, 2014 - Thursday 7:30 am\*\*\***

**DRAFT**  
**CITY OF CORVALLIS**  
**INVESTMENT COUNCIL MEETING**  
**AUGUST 8, 2013**  
**MINUTES**

The City of Corvallis Investment Council meeting was called to order at 1:00 p.m. in the Madison Avenue Meeting Room, 500 SW Madison Avenue, Corvallis, Oregon.

**ROLL CALL**

Present: Jim Patterson, Richard Hervey, Scott Fewel, Bill Mercer, Janet Chenard, Rebecca Wrobleski, Deanne Woodring; Minutes transcribed from recording by Teresa Nix  
 Absent: Nancy Brewer

**SUMMARY OF DISCUSSION**

Agenda Item	Information Only	Held for Further Review	Recommendations
Approve Draft Minutes of May 9, 2013			Approved as drafted.
Fiscal Year 2012-2013 Fourth Quarter Review	X		
DFIM – Investment Advisor Annual Overview	X		
Annual Investment Policy Review			Approved as revised.
Annual Compliance Certificate			Approved.
Open Discussion	X		
Adjournment – 1:45 p.m.			

**CONTENT OF DISCUSSION**

**I. APPROVE DRAFT MINUTES OF MAY 9, 2013**

City Manager Jim Patterson invited any corrections to the draft minutes of the May 9 meeting. There being none, the minutes were approved as submitted.

**II. FISCAL YEAR 2012-2013 FOURTH QUARTER REVIEW**

Treasury Accountant Rebecca Wrobleski presented the Quarterly Portfolio Summary for the quarter ending June 30, 2013 (Attachment A). There was a decrease in ending cash balances of about \$3 million. In investment activity, a certificate of deposit (CD) was purchased from OSU Federal Credit Union (OSU-FCU) and there was a bond maturity for \$1 million, for a net zero change in total investment balances. Book yields for the total portfolio remained unchanged. The core portfolio went up by three

basis points. The State Pool remained unchanged. The 2-Year Treasury benchmark went up by one basis point.

In response to inquiries, Budget and Financial Planning Manager Janet Chenard said that the Investment Council received information about the OSU-FCU CD at the May 9 meeting, as noted in the meeting minutes. The investment is \$1 million for a three-year term at a one percent annual yield, which is a very good rate compared to market.

### **III. DFIM – INVESTMENT ADVISOR ANNUAL OVERVIEW**

Deanne Woodring, Davidson Fixed Income Management, said that she will review the markets, the continuing challenges, and the strategy to achieve a high rate of return. She said that interest rates are going up a bit finally, and when that occurs, the “market” value of the portfolio declines. All organizations with a fiscal year ending June 30 experienced a negative impact on the market values of their portfolios on June 30, 2013, however recognition of this impact is only an accounting phenomenon for the City as we generally hold to maturity and will never realize this loss that we need to show on the financial statements for GASB 31 purposes. She said that economic numbers and jobless claims are showing some recovery. Regarding the outlook for 2014, rates are expected to come up. The strategy is to continue to be relatively patient, look for investment opportunities, and balance those opportunities with the State Pool. In FY13, the City’s earnings rate on the portfolio on average was 0.74, while the State Pool was 0.54. The goal to capture about 25 basis points above the Pool was essentially met.

Ms. Woodring said that with the markets as low as they are, many jurisdictions are reviewing their internal policies and structures. The City of Corvallis is ahead of the game and in a position that when rates go up, we can react and respond. She said there have been questions in other communities related to jurisdictions paying a fee to have their portfolios managed; she offered to provide a written piece that outlines the benefits provided by DFIM to the City. Ms. Chenard noted that would be welcome, although of course the City covered the justification of same when we went through the RFP process and hired DFIM originally.

Mr. Fewel recalled that the decision to hire DFIM was made in consideration of growing burdens and reduced staffing. He said the amount being paid to the firm on an annual basis would probably be used up pretty quickly if that work were to be done in-house. Ms. Chenard agreed. She added that the City was able to discontinue the software being used for reporting purposes and to get that reporting through DFIM. She feels that the investment expertise and time/technical ability to more closely follow the markets, which is provided by DFIM, is an excellent value to the City.

### **IV. ANNUAL INVESTMENT POLICY REVIEW**

Ms. Chenard reviewed proposed changes to the Investments Policy. In looking to optimize return without undue additional risk, staff proposes new language that adds the ability to include in the portfolio up to 10 percent in corporate securities. Consideration would only be given to AA or AAA ratings and DFIM would carefully guide any expansion into corporate paper.

Mr. Fewel asked if the City had this ability before and, if so, why it was eliminated. Ms. Chenard said her recollection is that the City may have purchased corporate securities in the past, but likely eliminated this ability in the early 1990s because City investments in certain corporate names were getting downgraded in the last recession. She noted that some past Investment Council members, including former City Manager Nelson, have had concerns about adding back this ability, even though it is available under State Law, because it increases the City’s risk exposure above the LGIP exposure. This is a decision for the Investment Council.

Ms. Woodring said that there are nine or ten names of corporations DFIM monitors and likes. If the Investment Council decides to add the ability to invest in corporate securities, she would provide that list for vetting by the Investment Council prior to making any investments.

In discussion, Councilor Hervey said that he thinks our citizens want the City to be making money and he supports adding the ability to invest in corporate securities. He thinks that we should know the corporations we are investing in prior to the investment being made. Ms. Woodring will provide the list of potential corporate investments for review at the next meeting.

City Manager Patterson suggested that it would be appropriate to memorialize this process step within the policy.

MOTION: It was moved by Mr. Hervey and seconded by Mr. Mercer to amend the draft policy to include a requirement that the Investment Council be given the opportunity to review and approve a list of the names of corporations prior to the City purchasing corporate securities. The motion passed unanimously.

MOTION: It was moved by Mr. Hervey and seconded by Mr. Mercer to approve the Investments Policy with the above revision. The motion passed unanimously.

#### **V. ANNUAL COMPLIANCE CERTIFICATE**

Ms. Chenard said that the City Council Financial Policy requires filing an annual statement indicating that the City has been in compliance with the Council-approved investments policies during the previous year. There is a memorandum included in meeting packets advising the Investment Council that the City complied with all provisions of the Investments Policies during the fiscal year 2012-2013.

MOTION: It was moved by Mr. Fewell, seconded by Mr. Mercer, and passed unanimously to accept the Annual Compliance Report.

#### **VI. OPEN DISCUSSION**

Ms. Chenard said that the quarterly portfolio summary shows the cash reserves being down by about \$3 million as of June 30, 2013. Since that time, the City has refunded nearly \$1.5 million to Benton County for the City's portion of the Hewlett-Packard property tax refund. This halts the 12 percent interest that was accumulating on that amount. She said that cash reserves are expected to continue to shrink over the summer as casual employees increase the level of personnel services expenditures. She advised that the first quarterly report in September may show that cash reserves have fallen quite a bit lower than they have to date.

#### **VII. ADJOURNMENT**

The meeting was adjourned at 1:45 p.m.

Minutes transcribed from recording by Teresa Nix

**City of Corvallis  
Investment Council  
August 8, 2013 - Revised**

**Quarterly Portfolio Summary for the Quarter Ending 06/30/2013:**

	Treasury Report Pg. 10 <u>March 2013</u>	Treasury Report Pg. 8 <u>June 2013</u>	<u>Change</u>
<b>Cash</b>			
Petty Cash	\$10,257	\$9,657	-\$600
Checking	\$609,933	\$1,417,728	\$807,795
State Pool (LGIP)*	\$30,468,289	\$26,368,235	-\$4,100,054
*ORS maximum \$45,405,443			
<b>Cash - Total</b>	<b>\$31,088,479</b>	<b>\$27,795,620</b>	<b>-\$3,292,859</b>
<b>Investments - Total</b>	<b>\$13,500,000</b>	<b>\$13,500,000</b>	<b>\$0</b>
<b>Portfolio - Total</b>	<b>\$44,588,479</b>	<b>\$41,295,620</b>	<b>-\$3,292,859</b>

<b>Investment Activity</b>			
	<u>Description</u>	<u>Maturity/Call Date(s)</u>	<u>Par Value</u>
Purchase	OSU - FCU CD - 1%	4/19/2016	\$1,000,000
Maturity	FHLB 1.875%	6/21/2013	(\$1,000,000)
		<b>Net Change in Investments</b>	<b>\$0</b>

	Treasury Report Pg. 26-27 <u>March 2013</u>	Treasury Report Pg. 24-25 <u>June 2013</u>	<u>Change</u>
<b>Book Yields</b>			
Total Portfolio <sup>1</sup>	0.58	0.58	0.00
Core Portfolio <sup>2</sup>	0.66	0.69	0.03
State Pool (LGIP)	0.54	0.54	0.00
2 Year Treasury	0.26	0.27	0.01
<sup>1</sup> Total City Cash & Investments			
<sup>2</sup> Invested Portion of City Portfolio			

**Other Information:**

MEMORANDUM

August 8, 2013

To: City Council

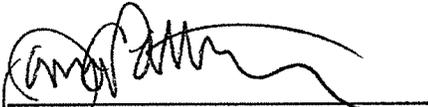
From: Investment Council

Subject: Annual Investment Administrative Procedures Acceptance

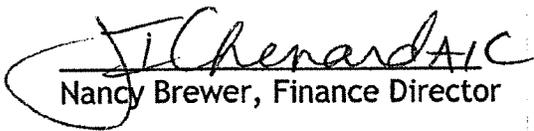
Investment Administrative Procedures AP 95-5.03.044 requires the signing of an annual statement indicating that each Investment Councilor has read and agrees to abide by the Investment Policy Procedure and associated policies.

Pursuant to that requirement, this statement is to advise City Council that the members of the Investment Council have read and agree to all provisions of the Investment Policies for the fiscal year 2012-2013.

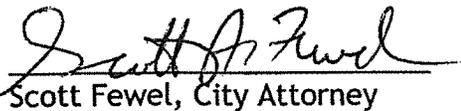
Review & Concur



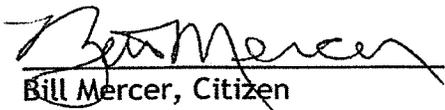
James A. Patterson, City Manager



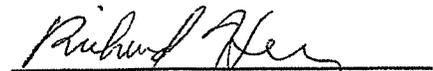
Nancy Brewer, Finance Director



Scott Fewel, City Attorney



Bill Mercer, Citizen



Richard Hervey, City Council President

MEMORANDUM

August 1, 2013

To: Investment Council

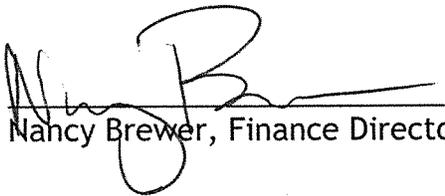
From: Rebecca Wroblewski, Treasury Accountant

Subject: Annual Compliance Memo

Investment Policy 10.08.070.010 requires the filing of an annual statement indicating if the City has been in compliance with Council approved investment policies during the previous year. The policy requires that such a statement be filed as soon as practical after each year end.

Pursuant to that requirement, this memo is to advise the Investment Council that the City complied with all provisions of the Investment Policies during the fiscal year 2012-2013.

Review & Concur



Nancy Brewer, Finance Director



## DFIM OVERVIEW – QUARTER ENDING SEPTEMBER 2013

### Market Commentary

- **Market Yields:** Yields moved back down across the curve as the markets recovered from the dramatic rise in rates last quarter.
- **FOMC:** Changed previous language regarding wind down of QE, and opted to hold the course of \$85 Billion in asset purchases.
- **Employment:** Expected to remain low, but in a sustainable pace relative to GDP.
- **GDP:** July GDP rebound confirmed the economy is on the upswing in Q3 after temporary slowing in Q2.

### Changes in Market Yields

	12/31/10	12/31/11	12/31/12	9/30/13
3-month bill	.13	.01	.04	.01
2- year note	.59	.25	.25	.32
5 -year note	2.0	.87	.72	1.38
10- year note	3.30	1.95	1.76	2.61

### Market Outlook

- **Fed Funds:** Expected to remain at 0 - .25% for the next six months to 1 year.
- **2 year:** The two-year treasury momentarily touched .50% and closed the quarter at .32%. This was more volatility in one quarter than we saw all last year. The two year rate will lead the fed move, so we are watching to see if it can move and maintain a rate above .50%. Likely not to happen for 3 to 6 months.
- **Portfolio Positioning:** DFIM is focused on moving portfolios neutral to slightly short established benchmarks.

### Economist's Projections for Rates

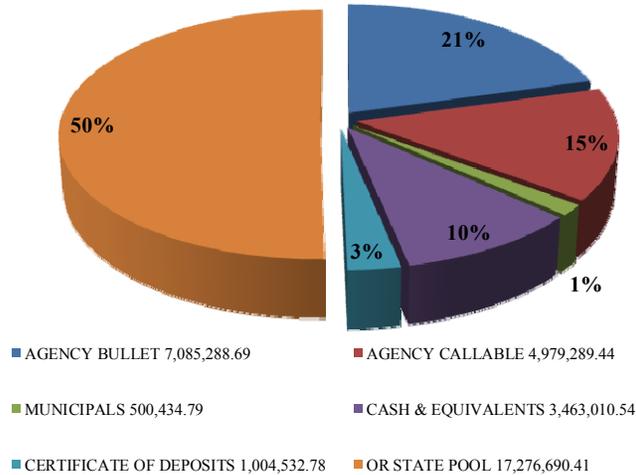
	Q3-13	Q4-13est	Q1-14 est	Q2-14 est
Fed Funds	.25	.25	.25	.25
2 Year	.32	.42	.50	.60
10 year	2.61	2.82	2.96	3.09

### Economic Projections

	2012	2013 est	2014 est	2015 est
Real GDP	2.80	1.60	2.60	3.00
CPI	2.08	1.50	1.90	2.15
Unemployment	8.10	7.50	6.90	6.40

## CITY OF CORVALLIS TOTAL

DISTRIBUTION BY ASSET CLASS

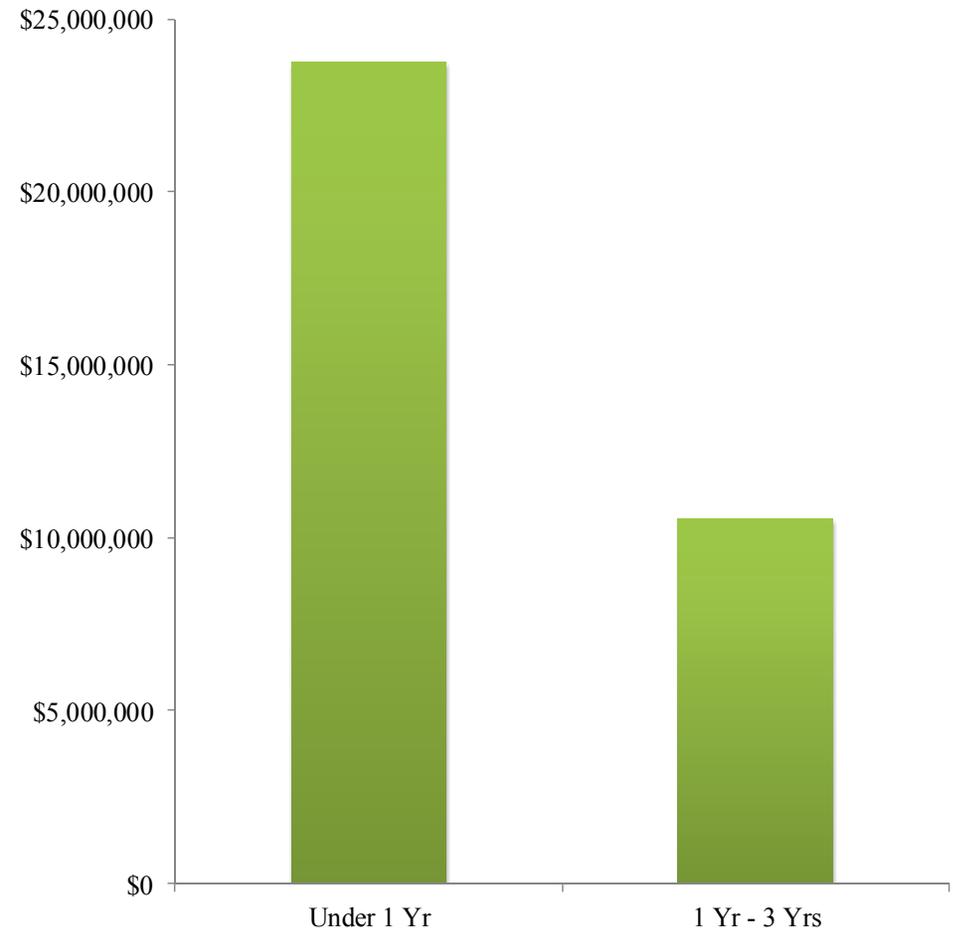


■ AGENCY BULLET 7,085,288.69	■ AGENCY CALLABLE 4,979,289.44
■ MUNICIPALS 500,434.79	■ CASH & EQUIVALENTS 3,463,010.54
■ CERTIFICATE OF DEPOSITS 1,004,532.78	■ OR STATE POOL 17,276,690.41

DISTRIBUTION BY ISSUER

Industry Groups	Market Value	Pct.
STATE INVESTMENT POOL	17,276,690.41	50.36
FFCB	6,989,288.11	20.37
CASH	3,463,010.54	10.09
FHLB	3,012,475.25	8.78
FNMA	2,062,814.78	6.01
CERTIFICATE OF DEPOSITS	1,004,532.78	2.93
MUNICIPAL GENERAL OBLIGATION	500,434.79	1.46
<b>Total</b>	<b>34,309,246.66</b>	<b>100.00</b>

DISTRIBUTION BY MATURITY



## 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	\$20,739,700.95	60.00%	<b>60.5%</b>	0.51%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$13,536,918.00	40.00%	<b>39.5%</b>	-0.51%
<b>Total</b>			\$34,276,618.95			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	61%	Yes
Under 1 Year	> 25%	69%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.85	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	\$34,276,618.95	Yes
Federal Agency and Agency Sponsored	100%	40%	35.12%	\$12,037,768.00	5 Years	\$22,238,850.95	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	13.02%	\$4,463,010.54		\$4,106,144.20	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$3,427,661.90	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$3,427,661.90	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	1.46%	\$499,150.00	5 Years	\$2,928,511.90	Yes
State Pool	ORS Maximum or 100%		50.40%	\$17,276,690.41	N/A	\$28,366,194.59	Yes
<b>Total</b>			100.00%	\$34,276,618.95			

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

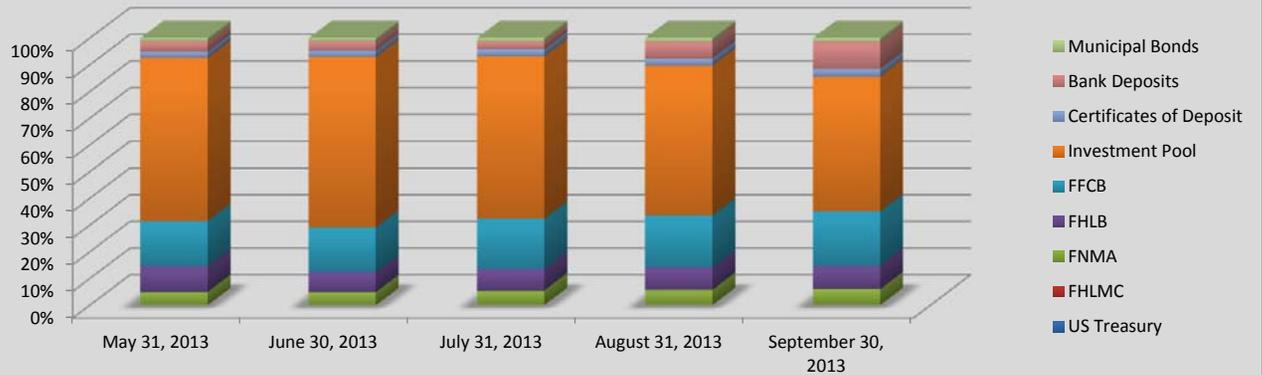
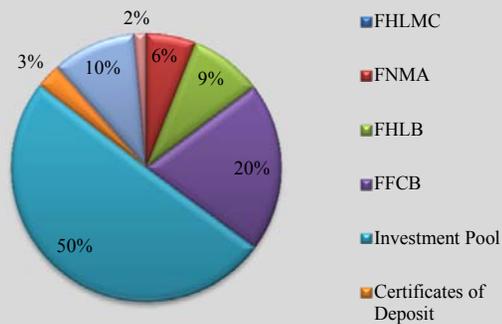
**Total Asset Allocation Strategy**  
(Market Values)

**Commentary**

The market values of securities in the core portfolio increased this month as interest rates declined from their highs. The pool balance declined again this month and is now just over \$17MM. The portfolio remains diversified between high quality issuers and is on target with the strategy.

Sector	Yield	May 31, 2013	June 30, 2013	July 31, 2013	August 31, 2013	September 30, 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%	\$2,056,712.00	\$2,049,582.00	\$2,050,630.00	\$2,047,312.00	\$2,048,912.00	\$1,600.00
FHLB	0.55%	\$4,012,957.00	\$3,010,629.00	\$3,009,546.00	\$3,007,548.00	\$3,005,694.00	(\$1,854.00)
FFCB	0.65%	\$6,994,583.00	\$6,954,294.00	\$6,976,659.00	\$6,952,981.00	\$6,983,162.00	\$30,181.00
Investment Pool	0.54%	\$25,161,070.16	\$26,368,235.46	\$22,596,960.43	\$20,077,386.50	\$17,276,690.41	(\$2,800,696.09)
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%	\$1,578,209.02	\$1,427,385.49	\$1,075,386.13	\$2,216,044.83	\$3,463,010.54	\$1,246,965.71
Municipal Bonds	0.88%	\$501,885.00	\$499,220.00	\$499,240.00	\$497,215.00	\$499,150.00	\$1,935.00
<b>Total</b>	<b>0.69%</b>	<b>\$39,382,740.46</b>	<b>\$41,309,345.95</b>	<b>\$37,208,421.56</b>	<b>\$35,798,487.33</b>	<b>\$34,276,618.95</b>	<b>(\$1,521,868.38)</b>

**Current Sector Allocation**





**DETAIL AMORTIZATION COST RETURN**  
**CITY OF CORVALLIS TOTAL**  
 From 08-31-13 to 09-30-13

<b>CURRENT HOLDINGS</b>	<b>Interest Earned</b>	<b>Accretion (Amortization)</b>	<b>Realized Gain/Loss</b>	<b>Total Income</b>
AGENCY BULLET	5,940.97	-2,105.19	0.00	3,835.78
AGENCY CALLABLE	2,424.72	140.14	0.00	2,564.86
MUNICIPALS	354.85	-1.85	0.00	353.00
CASH & EQUIVALENTS	613.36	0.00	0.00	613.36
CERTIFICATE OF DEPOSITS	1,647.30	0.00	0.00	1,647.30
OR STATE POOL	8,570.53	0.00	0.00	8,570.53
<b>TOTAL</b>	<b>19,551.73</b>	<b>-1,966.90</b>	<b>0.00</b>	<b>17,584.83</b>

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

	<b>Total Portfolio</b>
Interest Earned	19,551.73
Accretion/Amortization	-1,966.90
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	17,584.83
Average Daily Historical Cost	35,774,807.60
Return	0.05%
Annualized Return	0.60%
Annualized Return Net of Fees	0.60%
Weighted Duration to Maturity in Years	0.83
Weighted Days to Maturity	308



**CITY OF CORVALLIS TOTAL  
PORTFOLIO HOLDINGS**

September 30, 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
<b>AGENCY BULLET</b>															
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.08	0.55	100.19	0.09	3,005,694.00	6,781.25	3,012,475.25	3,383.11	8.8	0.24	0.24
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	101.66	0.81	102.45	0.44	2,048,912.00	13,902.78	2,062,814.78	15,693.63	6.0	2.03	2.03
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.99	0.75	100.28	0.65	2,005,582.00	4,416.67	2,009,998.67	5,827.67	5.9	2.67	2.67
	7,000,000					0.68		0.35	7,060,188.00	25,100.69	7,085,288.69	24,904.41	20.6	1.45	1.45
<b>AGENCY CALLABLE</b>															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	Continuous	11-15-12	99.90	0.59	99.58	0.70	2,987,262.00	1,558.33	2,988,820.33	-9,602.30	8.7	2.87	0.04
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	Continuous	9-19-12	99.91	0.71	99.52	0.84	1,990,318.00	151.11	1,990,469.11	-7,815.56	5.8	2.95	0.04
	5,000,000					0.64		0.76	4,977,580.00	1,709.44	4,979,289.44	-17,417.86	14.5	2.91	0.04
<b>CASH &amp; EQUIVALENTS</b>															
CASH	9,590	CASH 0.100% Due 10-01-13		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 10-01-13		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	3,452,502	Corvallis Wells Fargo 0.250% Due 10-01-13		09-30-13	1.00	0.25	1.00	0.25	3,452,502.48	0.00	3,452,502.48	0.00	10.1	0.00	0.00
	3,463,011					0.25		0.25	3,463,010.54	0.00	3,463,010.54	0.00	10.1	0.00	0.00
<b>CERTIFICATE OF DEPOSITS</b>															
CORV001CD	1,000,000	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		04-19-13	100.00	1.00	100.00	0.99	1,000,000.00	4,532.78	1,004,532.78	0.00	2.9	2.50	2.50
<b>MUNICIPALS</b>															
731418KU2	500,000	POLK MARION & BENTON SD 0.881% Due 06-15-16		02-01-13	100.01	0.88	99.83	0.94	499,150.00	1,284.79	500,434.79	-910.84	1.5	2.66	2.66
<b>OR STATE POOL</b>															
ORPOOL	1,000,000	OREGON STATE POOL 0.540% Due 10-01-13		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	16,276,690	OREGON STATE POOL 0.540% Due 10-01-13		06-30-13	1.00	0.54	1.00	0.54	16,276,690.41	0.00	16,276,690.41	0.00	47.5	0.00	0.00
	17,276,690					0.54		0.54	17,276,690.41	0.00	17,276,690.41	0.00	50.4	0.00	0.00
<b>TOTAL</b>	<b>34,239,701</b>					<b>0.57</b>		<b>0.52</b>	<b>34,276,618.95</b>	<b>32,627.71</b>	<b>34,309,246.66</b>	<b>6,575.70</b>	<b>100.0</b>	<b>0.83</b>	<b>0.42</b>

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



**CITY OF CORVALLIS TOTAL  
 TRANSACTION SUMMARY**

From 09-01-13 To 09-30-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
<b>Buy long</b>							
09-30-13	09-30-13	CBANK3	3,452,502	Corvallis Wells Fargo 0.250% Due 10-01-13		3,452,502.48	
09-30-13	09-30-13	CASH	918	CASH 0.100% Due 10-01-13		918.06	
						<u>3,453,420.54</u>	
<b>Deposit</b>							
09-30-13	09-30-13	manfee		Management Fee **		1,500.00	
<b>Interest</b>							
09-19-13	09-19-13	CORV001CD		OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		818.13	
09-26-13	09-26-13	3133EA2D9		FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	10-16-13	6,800.00	
09-30-13	09-30-13	ORPOOL		OREGON STATE POOL 0.540% Due 10-01-13		429.04	
09-30-13	09-30-13	ORPOOL		OREGON STATE POOL 0.540% Due 10-01-13		8,141.49	
09-30-13	09-30-13	CBANK3		Corvallis Wells Fargo 0.250% Due 10-01-13		613.35	
09-30-13	09-30-13	CASH		CASH 0.100% Due 10-01-13		0.01	
						<u>16,802.02</u>	
<b>Deliver out long</b>							
09-26-13		cash		Cash Account		6,800.00	
<b>Sell long</b>							
09-30-13	09-30-13	ORPOOL	2,800,696	OREGON STATE POOL 0.540% Due 10-01-13		2,800,696.09	
09-30-13	09-30-13	CBANK3	2,206,455	Corvallis Wells Fargo 0.250% Due 10-01-13		2,206,454.83	
						<u>5,007,150.92</u>	

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\*\*Monthly allocation of the quarterly advisor fee from Davidson Fixed Asset Management.

**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF CORVALLIS TOTAL**  
 September 30, 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
<b>MUNICIPAL BONDS(Straight Line)</b>									
POLK MARION & BENTON SD 0.881% Due 06-15-16 (731418KU2)									
500,000	1	02-01-13	100.015	500,075.00	-1.85	-14.16	-14.16	-60.84	500,060.84
<b>FNMA(Straight Line)</b>									
FEDERAL NATL MTG ASSN 1.625% Due 10-26-15 (31398A4M1)									
2,000,000	1	01-13-12	103.028	2,060,564.00	-1,318.92	-12,000.26	-27,345.63	-33,218.37	2,033,218.37
<b>FHLB(Straight Line)</b>									
FEDERAL HOME LN BKS 0.875% Due 12-27-13 (313371UC8)									
3,000,000	1	11-21-11	100.674	3,020,223.00	-793.74	-7,223.05	-17,912.11	-2,310.89	3,002,310.89
<b>FFCB(Straight Line)</b>									
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	68.00	114.33	245.67	1,999,754.33
<b>FFCB CALLABLE(Straight Line)</b>									
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	467.47	633.56	1,866.44	1,998,133.56
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	88.77	807.78	914.30	3,135.70	2,996,864.30
Total				4,993,450.00	140.14	1,275.25	1,547.86	5,002.14	4,994,997.86
<b>CERTIFICATES OF DEPOSIT(Unadjusted)</b>									
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
<b>CASH(Straight Line)</b>									
CASH 0.100% Due 10-01-13 (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 0.250% Due 10-01-13 (CBANK3)									

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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**  
 September 30, 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
3,452,502	11	09-30-13	1.000	3,452,502.48	0.00	0.00	0.00	0.00	3,452,502.48
Total				3,463,010.54	0.00	0.00	0.00	0.00	3,463,010.54
<b>POOL(Straight Line)</b>									
OREGON STATE POOL 0.540% Due 10-01-13 (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
16,276,690	11	06-30-13	1.000	16,276,690.41	0.00	0.00	0.00	0.00	16,276,690.41
				17,276,690	0.00	0.00	0.00	0.00	17,276,690.41
<b>GRAND TOTAL</b>				<b>34,313,652.95</b>	<b>-1,966.90</b>	<b>-17,894.22</b>	<b>-43,609.70</b>	<b>-30,342.30</b>	<b>34,270,043.25</b>

\*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 08-31-13 To 09-30-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>MUNICIPALS</b>							
MUNICIPALS							
731418KU2	MUNICIPAL GENERAL OBLIGATION POLK MARION & BENTON SD 0.881% Due 06-15-16	929.94	0.00	0.00	0.00	354.85	1,284.79
		929.94	0.00	0.00	0.00	354.85	1,284.79
	MUNICIPALS Total	929.94	0.00	0.00	0.00	354.85	1,284.79
	MUNICIPALS Total	929.94	0.00	0.00	0.00	354.85	1,284.79
<b>AGENCY</b>							
AGENCY BULLET							
313371UC8	FHLB FEDERAL HOME LN BKS 0.875% Due 12-27-13	4,666.67	0.00	0.00	0.00	2,114.58	6,781.25
		4,666.67	0.00	0.00	0.00	2,114.58	6,781.25
31398A4M1	FNMA FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	11,284.72	0.00	0.00	0.00	2,618.06	13,902.78
		11,284.72	0.00	0.00	0.00	2,618.06	13,902.78
3133EAUH9	FFCB FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	3,208.33	0.00	0.00	0.00	1,208.33	4,416.67
		3,208.33	0.00	0.00	0.00	1,208.33	4,416.67
	AGENCY BULLET Total	19,159.72	0.00	0.00	0.00	5,940.97	25,100.69



**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
 From 08-31-13 To 09-30-13

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	229.17	0.00	0.00	0.00	1,329.17	1,558.33
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	5,855.56	0.00	0.00	-6,800.00	1,095.56	151.11
		6,084.72	0.00	0.00	-6,800.00	2,424.72	1,709.44
AGENCY CALLABLE Total		6,084.72	0.00	0.00	-6,800.00	2,424.72	1,709.44
AGENCY Total		25,244.44	0.00	0.00	-6,800.00	8,365.69	26,810.14
<b>CERTIFICATE OF DEPOSIT</b>							
CERTIFICATE OF DEPOSITS							
CERTIFICATE OF DEPOSITS							
CORV001CD	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16	3,703.61	0.00	0.00	-818.13	1,647.30	4,532.78
		3,703.61	0.00	0.00	-818.13	1,647.30	4,532.78
CERTIFICATE OF DEPOSIT Total		3,703.61	0.00	0.00	-818.13	1,647.30	4,532.78
CERTIFICATE OF DEPOSIT Total		3,703.61	0.00	0.00	-818.13	1,647.30	4,532.78
<b>CASH</b>							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 10-01-13	0.00	0.00	0.00	-0.01	0.01	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 10-01-13	0.00	0.00	0.00	-613.35	613.35	0.00
		0.00	0.00	0.00	-613.36	613.36	0.00

\*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 08-31-13 To 09-30-13

<b>Security Symbol</b>	<b>Description</b>	<b>Beginning Accrued Interest</b>	<b>Purchased Interest</b>	<b>Sold Interest</b>	<b>Interest Received</b>	<b>Earned Interest</b>	<b>Ending Accrued Interest</b>
	CASH & EQUIVALENTS Total	0.00	0.00	0.00	-613.36	613.36	0.00
	OR STATE POOL						
	STATE INVESTMENT POOL						
ORPOOL	OREGON STATE POOL 0.540% Due 10-01-13	0.00	0.00	0.00	-8,570.53	8,570.53	0.00
		0.00	0.00	0.00	-8,570.53	8,570.53	0.00
	OR STATE POOL Total	0.00	0.00	0.00	-8,570.53	8,570.53	0.00
	CASH Total	0.00	0.00	0.00	-9,183.89	9,183.89	0.00
<b>TOTAL PORTFOLIO</b>		<b>29,878.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-16,802.02</b>	<b>19,551.73</b>	<b>32,627.71</b>

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

<b>Investment/Issuer Types</b>			<b>Other</b>		
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**  
**SEPTEMBER 2013**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	5,256,882	7,012,309	(1,755,427)
Average of Prior Three Years (3)	3,858,953	6,654,916	(2,795,963)
<b>Difference</b>	<b>1,397,929</b>	<b>357,393</b>	<b>1,040,536</b>

(1) Receipts represent all revenues recorded for the month, including any property taxes, fees, charges for service, interest earnings, grants, etc. Higher revenue in the current month compared to the prior years' average is due in part to an increasing revenue trend, but is also subject to the following factors. Community Development plan review and systems development revenues associated with the Memorial Union East renovation, Strand Agricultural Hall renovation and Student Experience Center construction projects at OSU; plan review and systems development revenues associated with the Wilco Farm Store construction project; lower outstanding federal grant reimbursements; and an increase in debt repayment assessments all account for significant increases over the 3-year average.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer. Disbursements were higher this September than the average due in part to over \$300,000 in contract payments for waste and storm water construction projects.

(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 September 2013**

<b>Fund</b>	<b>Fund Name</b>	<b>Month's Avg Cash Balance *</b>	<b>Interest Distributed</b>	<b>Fund</b>	<b>Fund Name</b>	<b>Month's Avg Cash Balance *</b>	<b>Interest Distributed</b>
101	General (2)	478,857.76	6,338.03	509	Water Construction (1)	51,921.25	5.45
201	Street	571,544.14	31.93	520	Wastewater	2,772,247.43	218.56
208	Street SDC	2,285,824.21	1,063.12	528	Wastewater SDC	9,986,885.29	4,595.68
218	Parks SDC	2,350,935.14	1,063.52	529	Wastewater Construction (1)	(174,105.57)	(16.00)
220	911	481,387.94	26.69	540	Storm Water	1,270,478.40	91.28
230	Development Services	1,728,634.63	126.33	548	Storm Water SDC	95,641.16	44.31
250	Comm Dev Revolving (3)	(398,259.15)	(183.00)	549	Storm Water Construction (1) (3)	(196,199.89)	(27.00)
260	Parking	1,007,001.32	71.21	560	Airport	573,883.00	267.54
270	Transit	1,883,487.33	145.47	569	Airport Construction (1)	1,994.28	0.91
301	Capital Improvement	299,985.15	(18.00)	610	Fleet Maintenance	88,092.72	6.31
401	General Obligation Debt Service (4)	(50,988.17)	(4.00)	615	Facility Maintenance	167,461.52	12.12
460	Davidson Library	5,507.55	2.54	620	Technology & Communications	593,413.04	43.67
501	Water	2,244,381.88	198.74	625	Administrative Services	349,742.53	22.89
502	Water Timber	417,507.90	18.87	630	Risk Management	959,353.64	64.63
508	Water SDC	5,508,328.38	2,549.52				
<b>Total</b>						<b>35,354,944.85</b>	<b>16,761.32</b>

\* 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.

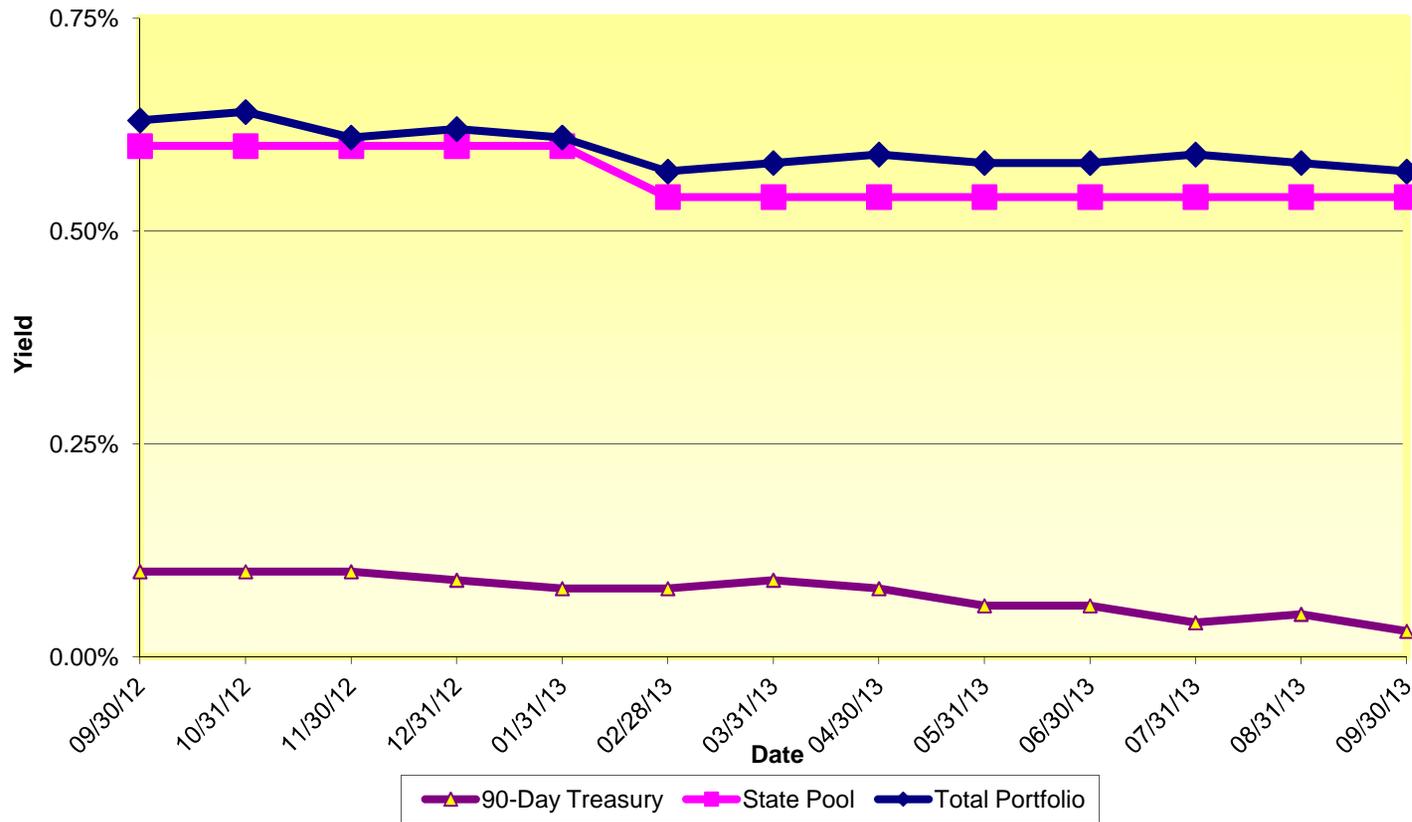
(2) In FY 13/14 property tax services have been consolidated into the general fund (101). Thus, Funds 210, 211, 240 and 290 will be closed out at year-end, so all interest associated with these five fund cash balances is now distributed directly to the General Fund (101).

(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 Total Portfolio vs. Benchmark Sep 2012 - Sep 2013

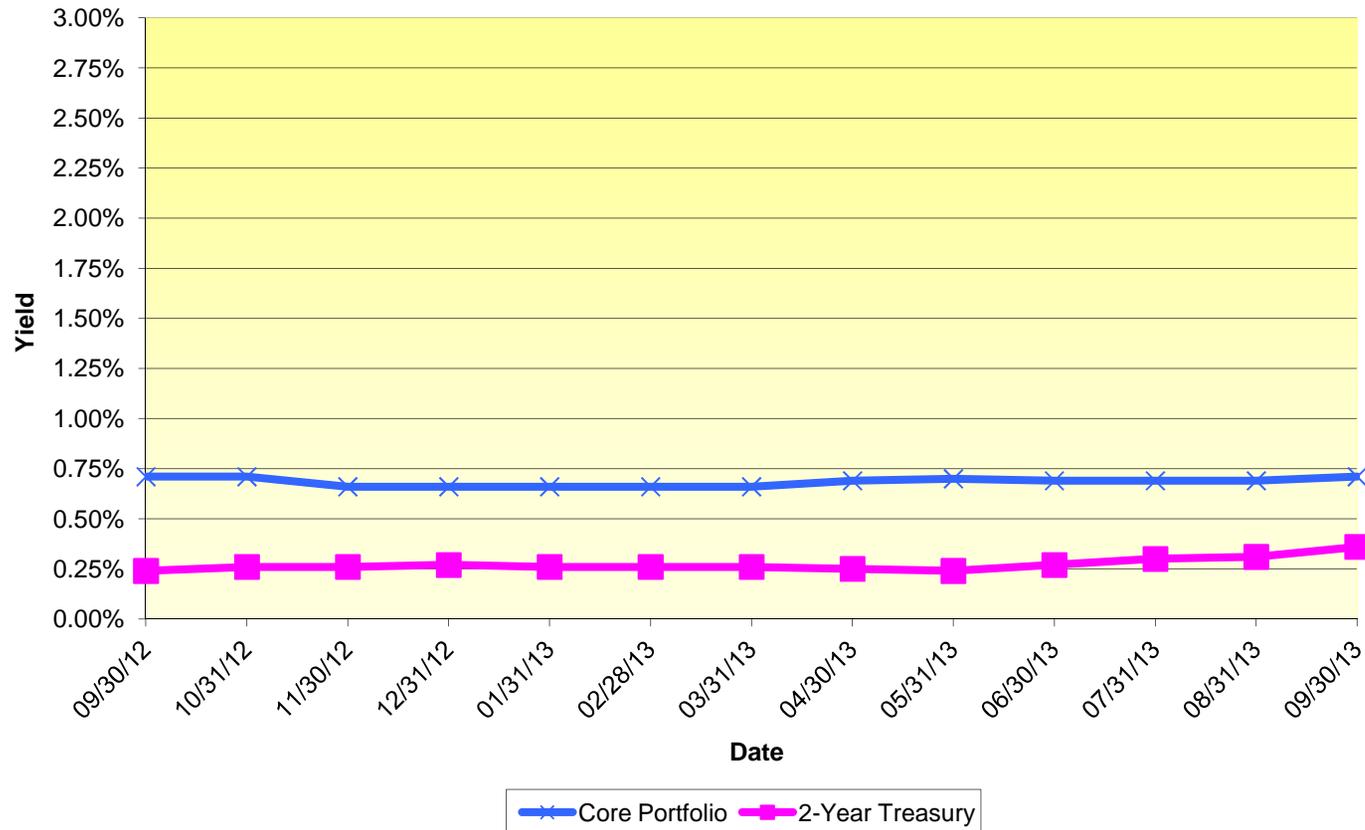




# City of Corvallis

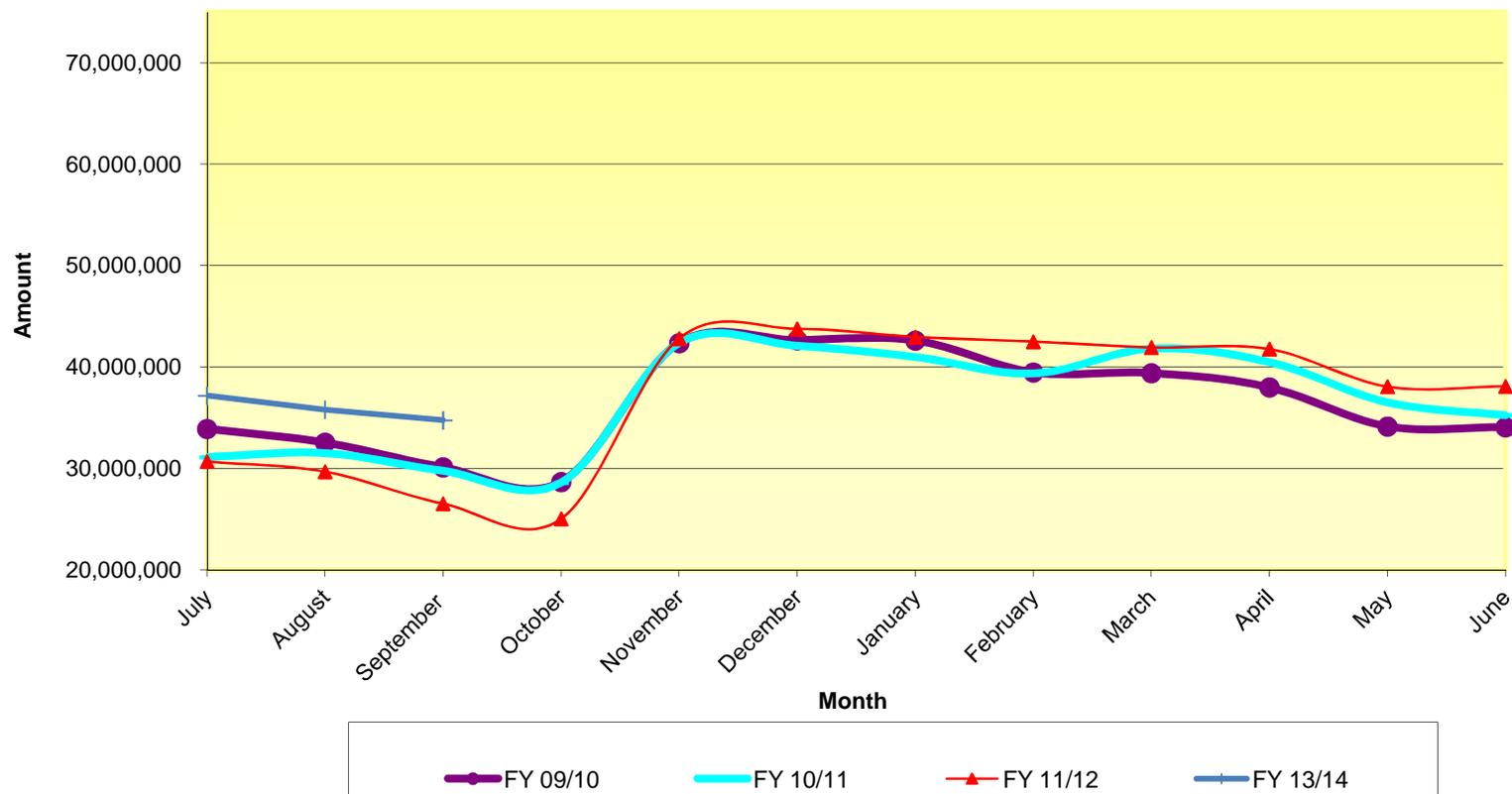
## Core Portfolio vs. Benchmark

### Sep 2012 - Sep 2013





# City of Corvallis Cash & Investments





## City of Corvallis Cash and Investments By Quarter

