

CITY OF CORVALLIS

Treasury Report

April 2014

CITY OF CORVALLIS, OREGON
Treasury Report - Table of Contents

Monthly Market Commentary	1
Policy Compliance	2
Asset Allocation.....	3
Portfolio Holdings	4
US Bank Statement	
Asset Detail	5
Income Accrual.....	7
Glossary of Terms.....	8
Cash Flow Summary.....	9
Monthly Revenue Allocations	10
Graphs	
Total Portfolio Yield.....	11
Core Portfolio Yield.....	12
Cash & Investments	13

Monthly Market Commentary

APRIL 2014

Market Indicators

The US economy is largely driven by consumption, and April consumer indicators are mixed. The Bureau of Labor Statistics' Consumer Price Index (CPI-U – unadjusted) rose between Feb 2014 to March 2014 by 0.6%, a seasonally adjusted +0.2%. The University of Michigan's Index of Consumer Sentiment increased from 80 in March to 84.1 in April. Counter to these favorable indicators is a 1.6 point month-over-month decline (83.9 to 82.3) in the Conference Board's Consumer Confidence Index (CCI), below their 83.0 April expectation. However, the economic outlook is bolstered by a first quarter 3-point improvement in the Measure of CEO Confidence, from 60 in December 2013 to 63 in April 2014. CEO Confidence is at a two-year high and represents increases in both present and expected conditions for the US market. A majority of CEOs (54%) now assess economic conditions as "better than they were six months ago", an increase from 44% last quarter.

Housing market activity has somewhat cooled in recent months, with sales of new and existing homes relatively flat and mortgage applications dropping to the lowest level since 2000, however home prices are on the rise.

The national unemployment rate declined to 6.3% in April from 6.7% in March adding 288,000 jobs, surpassing estimated job growth for the third consecutive month. Reaching the lowest unemployment rate since September 2008, it appears the national economic recovery is gaining momentum, although this relatively positive note is somewhat complicated by noise around the continued low participation rate in the labor market.

FOMC

As expected, on April 30 the Federal Open Market Committee (FOMC) directed the purchase of about \$20B agency Mortgage-Backed Securities and \$25B long-term Treasury securities, per month, down from prior amounts of \$25B and \$30B, respectively. These acquisitions and holdings should maintain downward pressure on long-term interest rates, while supporting the mortgage market and encouraging maximum employment and price stability.

US Treasury

Treasury rates across the board are down this month. 5-year rates are down 6 basis points (b.p.) from the end of last calendar year, losing 4 b.p. in April, yet are 101 b.p. over the April 2013 rate. 2-year rates are 4 b.p. higher than the beginning of 2014 and 20 b.p. higher than one year ago, yet still down 2 b.p. from the end of last month. Overall, Treasury rates for 2-year to 10-year investments continue to fluctuate around a modest growth trend. Investments shorter than 2 years, or longer than 10 years, are relatively flat and declining, respectively, for a flatter yield curve overall.



April Changes in Treasury Market

	<u>9/30/2013</u>	<u>12/31/2013</u>	<u>3/31/2014</u>	<u>4/30/2014</u>	<u>Change</u> <u>April</u>	<u>Change</u> <u>September</u>
3 Month Bill	0.02	0.07	0.05	0.03	-0.02	0.01
1 year Note	0.10	0.13	0.13	0.11	-0.02	0.01
2 year Note	0.33	0.38	0.44	0.42	-0.02	0.09
3 year Note	0.63	0.78	0.90	0.87	-0.03	0.24
5 year Note	1.39	1.75	1.73	1.69	-0.04	0.30
10 year Note	2.64	3.04	2.73	2.67	-0.06	0.03
20 year Note	3.41	3.72	3.31	3.22	-0.09	-0.19
30 year Note	3.69	3.96	3.56	3.47	-0.09	-0.22

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	\$36,208,023.07	60.00%	70.40%	10.40%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$15,226,444.25	40.00%	29.60%	-10.40%
Total			\$51,434,467.32			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	70%	Yes
Under 1 Year	> 25%	70%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.68	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%		3.90%	\$2,007,500.00	5 Years	\$49,426,967.32	Yes
Federal Agency and Agency Sponsored	100%	40%	21.46%	\$11,037,370.00	5 Years	\$40,397,097.32	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	6.12%	\$3,149,476.21		\$9,709,140.62	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$5,143,446.73	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$5,143,446.73	Yes
Corporate Bonds (Aa3/AA-)	10%	5%	1.32%	\$680,069.25	5 Years	\$4,463,377.48	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	0.98%	\$501,505.00	5 Years	\$4,641,941.73	Yes
State Pool (LGIP)	ORS Maximum or 100%		66.22%	\$34,058,546.86	N/A	\$11,584,338.14	Yes
Total			100.00%	\$51,434,467.32			

ORS Maximum as of 9/9/2013 \$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

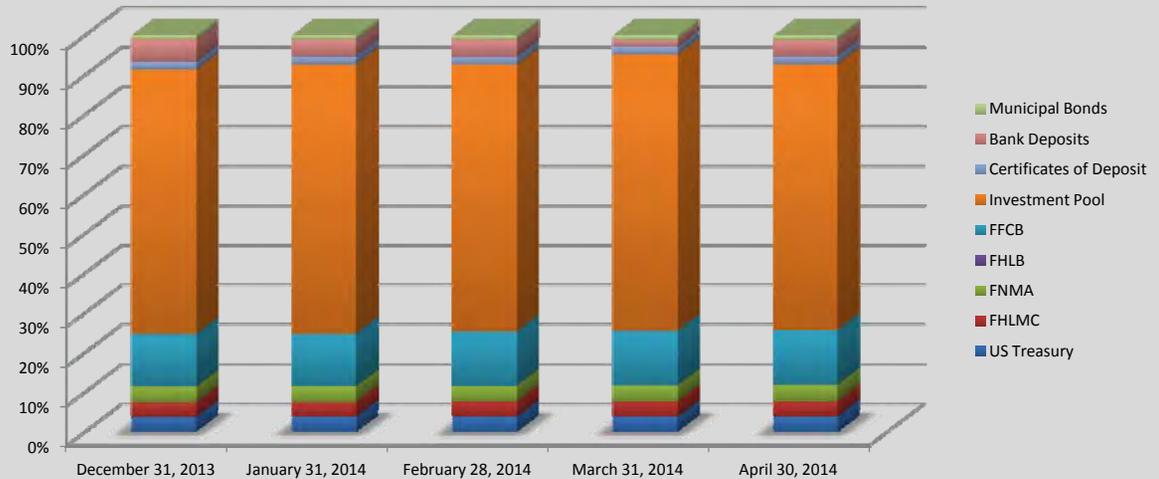
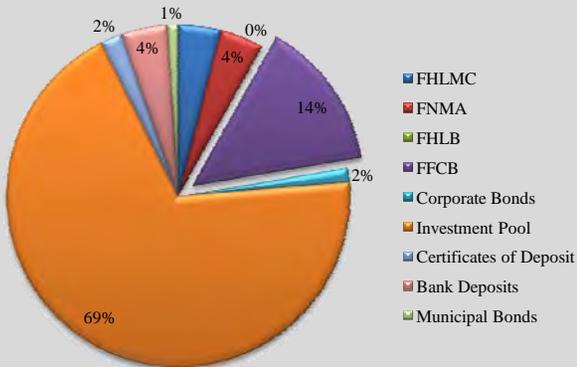
Total Asset Allocation Strategy (Market Values)

Commentary

The departure of the second wave of key personnel from Davidson Fixed Income Management (DFIM) in a two-month period, and the inability of the remaining DFIM personnel to fulfill the City's contract terms in a timely manner, resulted in termination of that contract. City staff has therefore rebuilt these investment reports using the Safekeeping Custodial statement valuations both in the current month and prior months for better comparability. It should be noted that in all months, the market value totals are lower under this pricing methodology (with the biggest difference being approximately \$19,790 lower in government agencies, or about 0.04% at January 31, 2014), which is the most conservative approach to valuing the portfolio. No purchases or maturities occurred in April 2014

Sector	Yield	December 31, 2013	January 31, 2014	February 28, 2014	March 31, 2014	April 30, 2014	Change From Last Month*
US Treasury	0.87%	\$2,004,380.00	\$2,010,940.00	\$2,013,280.00	\$2,004,680.00	\$2,007,500.00	\$2,820.00
FHLMC	1.00%	\$1,987,360.00	\$1,998,400.00	\$2,003,320.00	\$1,991,000.00	\$1,996,740.00	\$5,740.00
FNMA	1.59%	\$2,043,700.00	\$2,044,880.00	\$2,042,900.00	\$2,040,960.00	\$2,041,400.00	\$440.00
FHLB	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FFCB	0.64%	\$6,992,400.00	\$6,989,640.00	\$6,997,570.00	\$6,991,810.00	\$6,999,230.00	\$7,420.00
Corporate Bonds	0.99%	\$680,406.75	\$680,710.50	\$681,102.00	\$679,758.75	\$680,069.25	\$310.50
Investment Pool	0.54%	\$35,138,225.02	\$35,804,458.92	\$34,622,100.79	\$35,481,139.06	\$34,058,546.86	(\$1,422,592.20)
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	0.20%	\$2,999,162.48	\$2,291,859.27	\$2,278,905.42	\$938,942.92	2,149,476.21	1,210,533.29
Municipal Bonds	0.89%	\$496,640.00	\$503,330.00	\$502,310.00	\$500,690.00	\$501,505.00	\$815.00
Total	0.82%	\$53,342,274.25	\$53,324,218.69	\$52,141,488.21	\$51,628,980.73	\$51,434,467.32	(\$194,513.41)

Current Sector Allocation



CITY OF CORVALLIS
TOTAL PORTFOLIO
Holdings Summary
April 30, 2014

Security Symbol	Security	Par Value	Original Cost	Market Value	Book Value	Coupon Rate	Book Yield	Market Yield	Call Date	Maturity Date	% of Assets
CORE PORTFOLIO											
AGENCIES											
3133EAUH9	FEDERAL FARM CR BKS CONS	2,000,000.00	1,999,640.00	2,009,460.00	1,999,807.09	0.750%	0.690%	0.746%		6/14/2016	3.91%
3133EA2D9	FFCB Deb	2,000,000.00	1,997,500.00	1,994,900.00	1,999,337.74	0.680%	0.700%	0.682%	Continuous	9/26/2016	3.88%
3133EC3F9	FFCB Deb	3,000,000.00	2,995,950.00	2,994,870.00	2,997,491.30	0.550%	0.500%	0.551%	Continuous	8/26/2016	5.82%
3137EADJ5	FHLMC Deb	2,000,000.00	1,997,494.00	1,996,740.00	1,997,758.99	1.000%	1.000%	1.002%		7/28/2017	3.88%
31398A4M1	FEDERAL NATL MTG ASSN	2,000,000.00	2,060,564.00	2,041,400.00	2,023,865.20	1.625%	1.560%	1.592%		10/26/2015	3.97%
		11,000,000.00	11,051,148.00	11,037,370.00	11,018,260.32	0.887%	0.856%	0.884%			21.46%
US TREASURY											
912828RX0	U.S. TREASURY NOTE	2,000,000.00	2,012,265.62	2,007,500.00	2,010,725.53	0.875%	0.890%	0.872%		12/31/2016	3.90%
CORPORATE											
36962G6M1	GENERAL ELECTRIC CAP CORP	675,000.00	679,137.75	680,069.25	678,240.87	1.000%	0.990%	0.993%	Continuous	12/11/2015	1.32%
MUNICIPAL											
731418KU2	POLK MARION & BENTON SD	500,000.00	500,075.00	501,505.00	500,047.76	0.881%	0.890%	0.878%		6/15/2016	0.98%
CDs											
OSU-FCU CD		1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	0.995%	0.995%	0.995%		4/19/2016	1.94%
CORE PORTFOLIO		15,175,000.00	15,242,626.37	15,226,444.25	15,207,274.48	0.898%	0.877%	0.892%			29.60%
CASH & EQUIVALENTS											
PETTYCASH	CORVALLIS PETTY CASH		10,015.00	10,015.00	10,015.00	0.000%	0.000%	0.000%			0.02%
WFBK	WELLS FARGO BANK - CORVALLIS		2,138,343.47	2,138,343.47	2,138,343.47	0.200%	0.200%	0.200%			4.16%
LGIP	STATE OF OREGON LGIP		34,058,546.86	34,058,546.86	34,058,546.86	0.540%	0.540%	0.540%			66.22%
OSU-FCU	OSU FEDERAL SAVINGS		1,117.74	1,117.74	1,117.74	0.040%	0.040%	0.040%			0.00%
			36,208,023.07	36,208,023.07	36,208,023.07	0.520%	0.520%	0.520%			70.40%
TOTAL PORTFOLIO			51,450,649.44	51,434,467.32	51,415,297.55	0.631%	0.625%	0.630%			100.00%

ASSET DETAIL

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	FEDERAL TAX COST	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ENDING ACCRUAL	YIELD ON MARKET
US Government Issues						
F F C B Deb 0.750% 6/14/16 Standard & Poors Rating: AA+ Moodys Rating: AAA 3133EAUH9 Asset Minor Code 22	2,000,000.000	2,009,460.00 100.4730	1,999,807.09	9,652.91 1,452.53	5,708.33	0.69
F F C B Deb 0.680% 9/26/16 Standard & Poors Rating: AA+ Moodys Rating: AAA 3133EA2D9 Asset Minor Code 22	2,000,000.000	1,994,900.00 99.7450	1,999,337.74	- 4,437.74 2,517.40	1,322.22	0.70
F F C B Deb 0.550% 8/26/16 Standard & Poors Rating: AA+ Moodys Rating: AAA 3133EC3F9 Asset Minor Code 22	3,000,000.000	2,994,870.00 99.8290	2,997,491.30	- 2,621.30 3,331.25	2,979.17	0.50
F H L M C Deb 1.000% 7/28/17 Standard & Poors Rating: AA+ Moodys Rating: AAA 3137EADJ5 Asset Minor Code 22	2,000,000.000	1,996,740.00 99.8370	1,997,758.99	- 1,018.99 5,683.22	5,166.67	1.00
F N M A M T N 1.625% 10/26/15 Standard & Poors Rating: AA+ Moodys Rating: AAA 31398A4M1 Asset Minor Code 22	2,000,000.000	2,041,400.00 102.0700	2,023,865.20	17,534.80 1,758.52	451.39	1.56
U S Treasury Nt 0.875% 12/31/16 Standard & Poors Rating: N/A Moodys Rating: AAA 912828RX0 Asset Minor Code 21	2,000,000.000	2,007,500.00 100.3750	2,010,725.53	- 3,225.53 3,150.02	5,865.38	0.89
Total US Government Issues	13,000,000.000	13,044,870.00	13,028,985.85	15,884.15 17,892.94	21,493.16	0.86



CITY OF CORVALLIS
INVESTMENT ACCOUNT

Period from April 1, 2014 to April 30, 2014

ASSET DETAIL (continued)

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	FEDERAL TAX COST	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ENDING ACCRUAL	YIELD ON MARKET
Corporate Issues						
General Elec Cap Mtn 1.000% 12/11/15 Standard & Poors Rating: AA+ Moodys Rating: AA3 36962G6M1 Asset Minor Code 28	675,000.000	680,069.25 100.7510	678,240.87	1,828.38 475.57	2,625.00	0.99
Total Corporate Issues	675,000.000	680,069.25	678,240.87	1,828.38 475.57	2,625.00	0.99
Municipal Issues						
Polk Marion Or 0.881% 6/15/16 Standard & Poors Rating: AA+ Moodys Rating: N/R 731418KU2 Asset Minor Code 39	500,000.000	501,505.00 100.3010	500,047.76	1,457.24 816.85	1,664.11	0.89
Total Municipal Issues	500,000.000	501,505.00	500,047.76	1,457.24 816.85	1,664.11	0.89
Total Assets	14,175,000.000	14,226,444.25	14,207,274.48	19,169.77 19,185.36	25,782.27	0.87
Accrued Income	.000	25,782.27	25,782.27			
Grand Total	14,175,000.000	14,252,226.52	14,233,056.75			



CITY OF CORVALLIS
INVESTMENT ACCOUNT

Period from April 1, 2014 to April 30, 2014

INCOME ACCRUAL DETAIL

SHARES/ FACE AMOUNT	DESCRIPTION	EX DATE	PAY DATE	ANN RATE	BEGINNING ACCRUAL	INCOME EARNED	INCOME RECEIVED	ENDING ACCRUAL
US Government Issues								
2,000,000.000	F F C B Deb 3133EAUH9	0.750%	6/14/16		4,458.33	1,250.00	.00	5,708.33
2,000,000.000	F F C B Deb 3133EA2D9	0.680%	9/26/16		188.89	1,133.33	.00	1,322.22
3,000,000.000	F F C B Deb 3133EC3F9	0.550%	8/26/16		1,604.17	1,375.00	.00	2,979.17
2,000,000.000	F H L M C Deb 3137EADJ5	1.000%	7/28/17		3,500.00	1,666.67	.00	5,166.67
2,000,000.000	F N M A M T N 31398A4M1	1.625%	10/26/15		13,993.06	2,708.33	16,250.00	451.39
2,000,000.000	U S Treasury Nt 912828RX0	0.875%	12/31/16		4,423.08	1,442.30	.00	5,865.38
Total US Government Issues					28,167.53	9,575.63	16,250.00	21,493.16
Corporate Issues								
675,000.000	General Elec Cap Mtn 36962G6M1	1.000%	12/11/15		2,062.50	562.50	.00	2,625.00
Total Corporate Issues					2,062.50	562.50	.00	2,625.00
Municipal Issues								
500,000.000	Polk Marion Or 731418KU2	0.881%	6/15/16		1,297.03	367.08	.00	1,664.11
Total Municipal Issues					1,297.03	367.08	.00	1,664.11
Grand Total					31,527.06	10,505.21	16,250.00	25,782.27

City of Corvallis
Glossary of Acronyms and Terms

Investment/Issuer Types	Other
PETTYCASH Petty Cash	CPI Consumer Price Index
CD Certificates of Deposit	FOMC Federal Open Market Committee
FHLMC Federal Home Loan Mortgage Corporation	GDP Gross Domestic Product
FNMA Federal National Mortgage Association	
FFCB Federal Farm Credit Bureau	
LGIP Local Government Investment Pool	
OSU FCU OSU Federal Credit Union	
WFBK Wells Fargo Bank	
*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: Federal Tax Cost as reported by US Bank, the security original cost adjusted for amortization/accretion of premium/discount.

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 US Bank.

Original Cost: the cost of the principal at the time of the security purchase.

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.

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
APRIL 2014**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	5,982,675	7,353,216	(1,370,541)
Average of Prior Three Years (3)	5,836,147	6,966,927	(1,130,780)
Difference	146,528	386,289	(239,761)

(1) Receipts represent all revenues recorded for the month, including any property taxes, fees, charges for service, interest earnings, grants, etc.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer. Cash outflows are higher than average primarily due to replacement of two transit buses.

(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 April 2014**

Fund	Fund Name	Month's Avg Cash Balance *	Interest Distributed	Fund	Fund Name	Month's Avg Cash Balance *	Interest Distributed
101	General	12,374,443.64	11,987.48	509	Water Construction (1)	380,179.32	-
201	Street	686,298.53	161.88	520	Wastewater	2,244,036.04	579.57
208	Street SDC	3,031,575.82	1,547.16	528	Wastewater SDC	10,706,416.42	5,482.67
218	Parks SDC	2,867,664.32	1,469.53	529	Wastewater Construction (1)	139,464.44	-
220	911	665,265.07	151.73	540	Storm Water	1,041,567.32	271.31
230	Development Services	2,744,617.07	662.02	548	Storm Water SDC	116,090.06	59.00
250	Comm Dev Revolving (2)	(227,895.25)	(104.44)	549	Storm Water Construction (1)	91,417.05	-
260	Parking	966,705.63	239.43	560	Airport	514,245.71	262.18
270	Transit	1,791,228.51	456.96	569	Airport Construction (1) (2)	(2,352.48)	-
301	Capital Improvement	397,642.73	103.91	610	Fleet Maintenance	80,718.37	18.95
401	General Obligation Debt Service	903,165.02	221.80	615	Facility Maintenance	228,748.63	55.44
460	Davidson Library	5,530.35	2.83	620	Technology & Communications	633,145.63	154.05
501	Water	1,649,073.70	501.61	625	Administrative Services	628,252.32	150.47
502	Water Timber	386,602.48	95.25	630	Risk Management	938,528.40	231.79
508	Water SDC	5,841,137.74	2,994.34				
Total						51,823,512.58	27,756.92

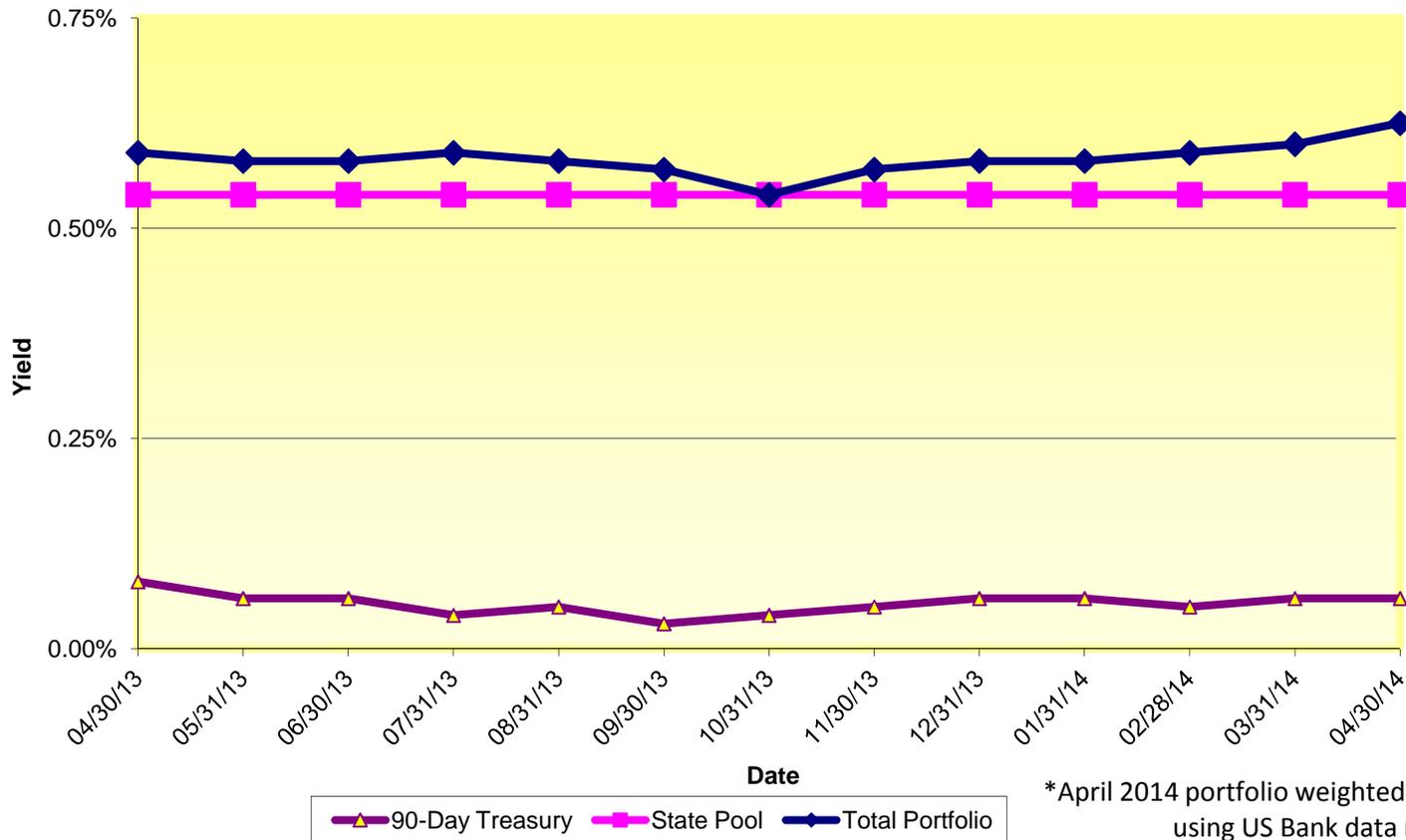
* Monthly interest earnings accrued/acreted and market adjusted are allocated based on the average cash balance for the period in which interest is earned. Most investments earn interest over a 3 or 6 month period, so even if the most recent monthly average is positive, if prior months' cash balances 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) CD Revolving Fund and Airport Construction Funds are carrying negative cash balances due to timing of grant reimbursements relative to expenditures.



City of Corvallis Total Portfolio vs. Benchmark Apr 2013 - Apr 2014*



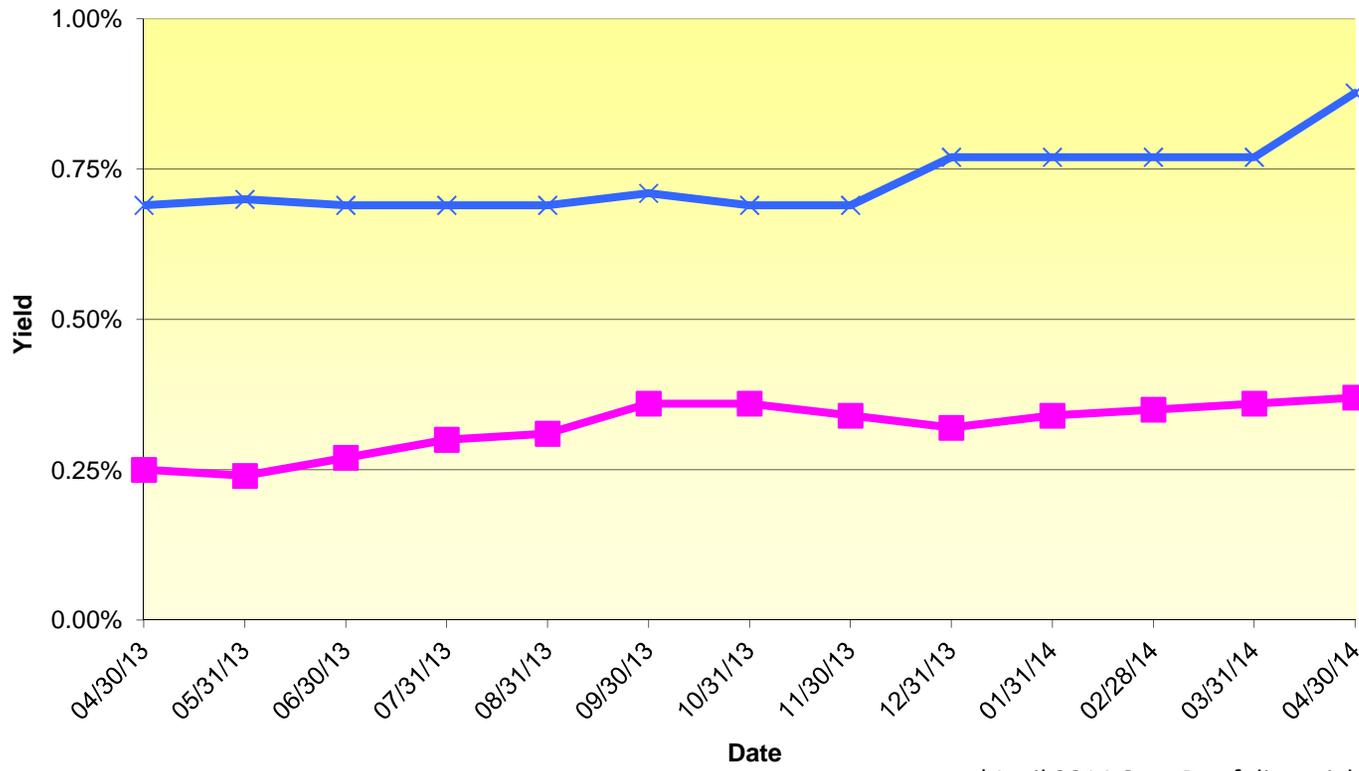
*April 2014 portfolio weighted-average yield calculated using US Bank data rather than DFIM report.



City of Corvallis

Core Portfolio vs. Benchmark

Apr 2013 - Apr 2014*



*April 2014 Core Portfolio weighted-average yield calculated using US Bank data rather than DFIM report.



City of Corvallis Cash & Investments

