CITY OF CORVALLIS

Treasury Report

May 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

MAY 2014

Market Indicators

US economic indicators were largely positive through the month. The S&P 500 index gained 3% in May and growth rate for cash deposits and cash-like assets was at 6%. According to the Bureau of Labor Statistics, the Consumer Price Index (CPI-U) increased 0.3% for the month prior to seasonal adjustment, resulting in a 2.1% increase over the last 12 months. Business fixed investment also continued to rise.

The seasonally adjusted unemployment rate remained steady at 6.3%. Professional and business services; health care and social assistance; food services and drinking places; and transportation and warehousing all showed increases, while other sectors showed little to no change. The labor force participation rate also remained unchanged at 62.8%, the lowest rate in decades, although analysis suggests the decline is due to fewer people entering the labor force, rather than more leaving it.

Recovery in the housing sector remained slow with housing starts falling 6.5% in May from April and permits falling 6.4%. A shortage of new lots, cautious consumers, and sharp increases in the prices of new homes have contributed to the lower than expected numbers.

US Treasury

Other than a slight increase in 3-month bills, Treasury rates are down this month. Over prior year numbers, Treasury rates for 2-year to 10-year investments continued to fluctuate around a modest growth trend, while the 3-month bill showed zero growth.

May Changes in the Treasury Market

	5/31/2013	3/31/2014	4/30/2014	5/30/2014	Change May	Change Prior Year
3-month Bill	0.04	0.05	0.03	0.04	0.01	0.00
2 year Note	0.30	0.44	0.42	0.37	-0.05	0.07
3 year Note	0.52	0.90	0.87	0.79	-0.08	0.27
5 year Note	1.05	1.73	1.69	1.54	-0.15	0.49
10 year Note	2.16	2.73	2.67	2.48	-0.19	0.32
30 year Bond	3.30	3.56	3.47	3.33	-0.14	0.03

FOMC

Although growth in economic activity has rebounded in recent months, the Federal Open Market Committee will continue its purchases of Treasury and agency mortgage-based securities in order to support continued progress toward maximum employment and price stability. It remains likely that the current target range (0 to .25%) for federal funds will be maintained for a considerable time after the asset purchase program ends.

Policy Compliance Report
(Market Values)

Overall Portfolio Structure

	Investment Strategy Range Low	Investment Strategy Range High	Market Value	Neutral Allocation	Actual Allocation	Position
Liquid Component	$5,000,000.00	$20,000,000.00	$33,793,404.30	60.00%	**68.90%**	8.90%
Investment Component (Core)	$15,000,000.00	$20,000,000.00	$15,251,420.00	40.00%	**31.10%**	-8.90%
Total			$49,044,824.30			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	69%	Yes
Under 1 Year	> 25%	69%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.69	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%		4.10%	$2,013,280.00	5 Years	$47,031,544.30	Yes
Federal Agency and Agency Sponsored	100%	40%	22.54%	$11,053,620.00	5 Years	$37,991,204.30	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	5.96%	$2,924,814.62		$9,336,391.46	Yes
Bankers Acceptances	10%		0.00%	$0.00		$4,904,482.43	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	$0.00	120 Days	$4,904,482.43	Yes
Corporate Bonds (Aa3/AA-)	10%	5%	1.39%	$680,940.00	5 Years	$4,223,542.43	Yes
Municipal Obligations (OR,WA, AA or better)	10%	5%	1.03%	$503,580.00	5 Years	$4,400,902.43	Yes
State Pool (LGIP)	ORS Maximum or 100%		64.98%	$31,868,589.68	N/A	$13,774,295.32	Yes
Total			100.00%	$49,044,824.30			

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."

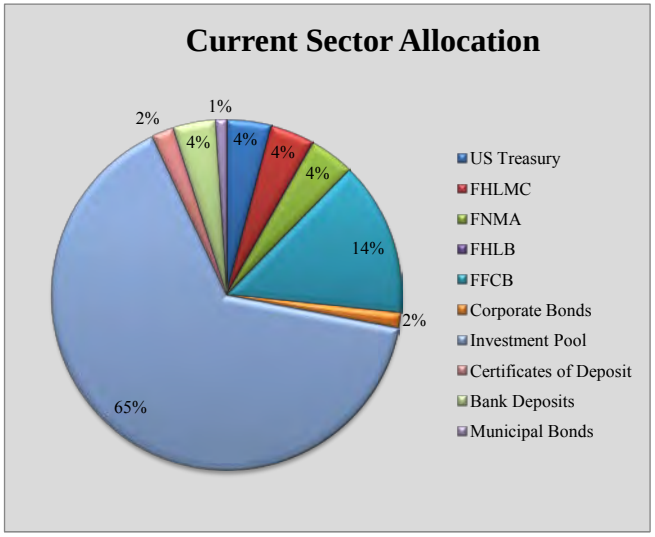
Policy : August 2013

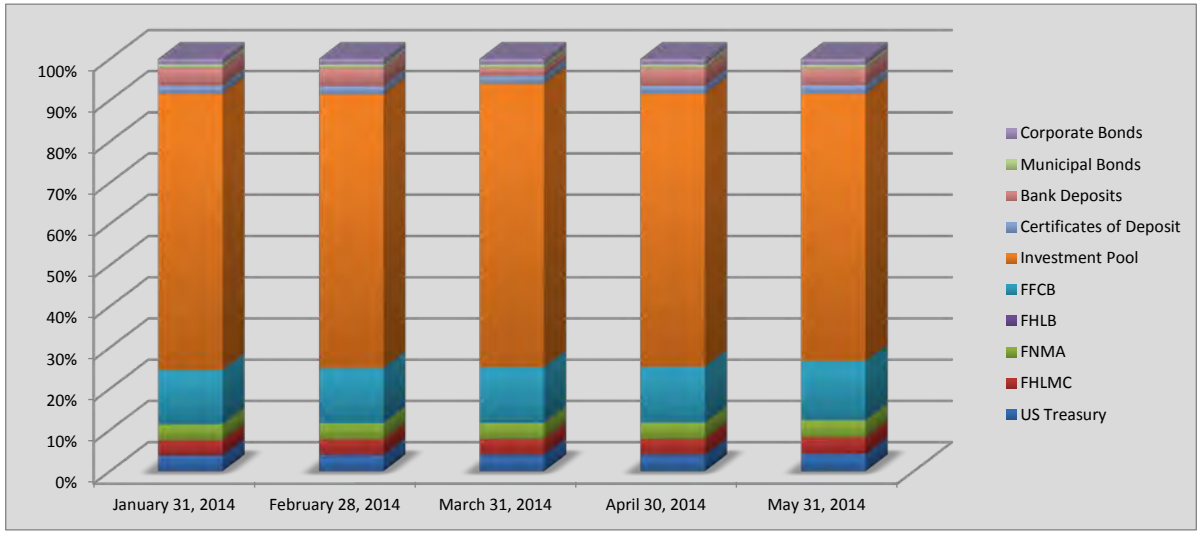
Total Asset Allocation Strategy
(Market Values)

Commentary

The City participated in an RFP with the City of Albany for a new investment advisor, and the City expects to begin working with the selected firm, Government Portfolio Advisors (GPA), in the new fiscal year. In the meantime, City staff is 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 May 2014.

Sector	Yield	January 31, 2014	February 28, 2014	March 31, 2014	April 30, 2014	May 31, 2014	Change From Last Month*
US Treasury	0.89%	$2,010,940.00	$2,013,280.00	$2,004,680.00	$2,007,500.00	$2,013,280.00	**$5,780.00**
FHLMC	0.99%	$1,998,400.00	$2,003,320.00	$1,991,000.00	$1,996,740.00	$2,001,780.00	**$5,040.00**
FNMA	1.56%	$2,044,880.00	$2,042,900.00	$2,040,960.00	$2,041,400.00	$2,039,140.00	**($2,260.00)**
FHLB	0.00%	$0.00	$0.00	$0.00	$0.00	$0.00	**$0.00**
FFCB	0.61%	$6,989,640.00	$6,997,570.00	$6,991,810.00	$6,999,230.00	$7,012,700.00	**$13,470.00**
Corporate Bonds	0.99%	$680,710.50	$681,102.00	$679,758.75	$680,069.25	$680,940.00	**$870.75**
Investment Pool	0.54%	$35,804,458.92	$34,622,100.79	$35,481,139.06	$34,058,546.86	$31,868,589.68	**($2,189,957.18)**
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%	$2,291,859.27	$2,278,905.42	$938,942.92	$2,149,476.21	1,924,814.62	**(224,661.59)**
Municipal Bonds	0.89%	$503,330.00	$502,310.00	$500,690.00	$501,505.00	$503,580.00	**$2,075.00**
Total	0.63%	$53,324,218.69	$52,141,488.21	$51,628,980.73	$51,434,467.32	$49,044,824.30	**($2,389,643.02)**





CITY OF CORVALLIS
TOTAL PORTFOLIO
Holdings Summary
May 31, 2014

Security Symbol	Security	Par Value	Original Cost	Market Value	Book Value	Coupon Rate	Book Yield	Market Yield	Call Date	Maturity Date
CORE PORTFOLIO										
AGENCIES										
3133EAUH9	FEDERAL FARM CR BKS CONS	2,000,000.00	1,999,640.00	2,013,760.00	1,999,807.09	0.750%	0.755%	0.690%		6/14/2016
3133EA2D9	FFCB Deb	2,000,000.00	1,997,500.00	1,999,960.00	1,999,337.74	0.680%	0.712%	0.700%	Continuous	9/26/2016
3133EC3F9	FFCB Deb	3,000,000.00	2,995,950.00	2,998,980.00	2,997,491.30	0.550%	0.586%	0.500%	Continuous	8/26/2016
3137EADJ5	FHLMC Deb	2,000,000.00	1,997,494.00	2,001,780.00	1,997,758.99	1.000%	1.035%	0.990%		7/28/2017
31398A4M1	FEDERAL NATL MTG ASSN	2,000,000.00	2,060,564.00	2,039,140.00	2,023,865.20	1.625%	0.809%	1.560%		10/26/2015
		11,000,000.00	11,051,148.00	11,053,620.00	11,018,260.32	0.887%	0.762%	0.855%		
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%	0.672%	0.890%		12/31/2016
CORPORATE										
36962G6M1	GENERAL ELECTRIC CAP CORP	675,000.00	679,137.75	680,069.25	678,240.87	1.000%	0.700%	0.990%	Continuous	12/11/2015
MUNICIPAL										
731418KU2	POLK MARION & BENTON SD	500,000.00	500,075.00	501,505.00	500,047.76	0.881%	0.876%	0.890%		6/15/2016
CDs										
OSU-FCU CD		1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	0.995%	1.000%	0.995%		4/19/2016
CORE PORTFOLIO		15,175,000.00	15,242,626.37	15,242,694.25	15,207,274.48	0.898%	0.767%	0.876%		
CASH & EQUIVALENTS										
PETTYCASH	CORVALLIS PETTY CASH		9,540.00	9,540.00	9,540.00	0.000%	0.000%	0.000%		6/1/2014
WFBK	WELLS FARGO BANK - CORVALLIS		1,914,111.46	1,914,111.46	1,914,111.46	0.200%	0.200%	0.200%		6/1/2014
LGIP	STATE OF OREGON LGIP		31,868,589.68	31,868,589.68	31,868,589.68	0.540%	0.540%	0.540%		6/1/2014
OSU-FCU	OSU FEDERAL SAVINGS		1,163.16	1,163.16	1,163.16	0.040%	0.040%	0.040%		6/1/2014
			33,793,404.30	33,793,404.30	33,793,404.30	0.521%	0.521%	0.521%		
TOTAL PORTFOLIO			49,036,030.67	49,036,098.55	49,000,678.78	0.637%	0.597%	0.631%		

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	2,013,760.00 100.6880	1,999,814.81	13,945.19 4,292.28	6,958.33	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	1,999,960.00 99.9980	1,999,361.10	598.90 5,036.64	2,455.56	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	2,998,980.00 99.9660	2,997,583.01	1,396.99 4,018.29	4,354.17	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	2,001,780.00 100.0890	1,997,817.67	3,962.33 4,981.32	6,833.33	0.99
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	2,039,140.00 101.9570	2,022,502.73	16,637.27 - 897.53	3,159.72	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	2,013,280.00 100.6640	2,010,384.51	2,895.49 6,121.02	7,355.77	0.89
Total US Government Issues	**13,000,000.000**	**13,066,900.00**	**13,027,463.83**	**39,436.17** **23,552.02**	**31,116.88**	**0.86**

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	680,940.00 100.8800	678,070.30	2,869.70 1,041.32	3,187.50	0.99
Total Corporate Issues	**675,000.000**	**680,940.00**	**678,070.30**	**2,869.70** **1,041.32**	**3,187.50**	**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	503,580.00 100.7160	500,045.85	3,534.15 2,076.91	2,031.19	0.89
Total Municipal Issues	**500,000.000**	**503,580.00**	**500,045.85**	**3,534.15** **2,076.91**	**2,031.19**	**0.89**
Total Assets	**14,175,000.000**	**14,251,420.00**	**14,205,579.98**	**45,840.02** **26,670.25**	**36,335.57**	**0.87**
Accrued Income	**.000**	**36,335.57**	**36,335.57**			
Grand Total	**14,175,000.000**	**14,287,755.57**	**14,241,915.55**			

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		5,708.33	1,250.00	.00	6,958.33
2,000,000.000	F F C B Deb 3133EA2D9	0.680%	9/26/16		1,322.22	1,133.34	.00	2,455.56
3,000,000.000	F F C B Deb 3133EC3F9	0.550%	8/26/16		2,979.17	1,375.00	.00	4,354.17
2,000,000.000	F H L M C Deb 3137EADJ5	1.000%	7/28/17		5,166.67	1,666.66	.00	6,833.33
2,000,000.000	F N M A M T N 31398A4M1	1.625%	10/26/15		451.39	2,708.33	.00	3,159.72
2,000,000.000	U S Treasury Nt 912828RX0	0.875%	12/31/16		5,865.38	1,490.39	.00	7,355.77
Total US Government Issues					**21,493.16**	**9,623.72**	**.00**	**31,116.88**
Corporate Issues								
675,000.000	General Elec Cap Mtn 36962G6M1	1.000%	12/11/15		2,625.00	562.50	.00	3,187.50
Total Corporate Issues					**2,625.00**	**562.50**	**.00**	**3,187.50**
Municipal Issues								
500,000.000	Polk Marion Or 731418KU2	0.881%	6/15/16		1,664.11	367.08	.00	2,031.19
Total Municipal Issues					**1,664.11**	**367.08**	**.00**	**2,031.19**
Grand Total					**25,782.27**	**10,553.30**	**.00**	**36,335.57**

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
MAY 2014

	Receipts (1)	Disbursements (2)	Net
Actual Activity	5,297,759	8,303,041	(3,005,282)
Average of Prior Three Years (3)	6,037,041	8,820,296	(2,783,255)
Difference	**(739,282)**	**(517,255)**	**(222,027)**

(1) Receipts represent all revenues recorded for the month, including any property taxes, fees, charges for service, interest earnings, grants, etc. The three year average was skewed by higher than expected Community Development Department permit revenues, timber revenues, and third party contributions to capital improvement projects in FY 13. Lower property tax revenues than in prior years also contributed to the difference.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer. Cash outflows are lower than the three average due to the refunding of the CSO loan, which resulted in the restructuring of the loan payments.

(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 May 2014

Fund	Fund Name	Month's Avg Cash Balance *	Interest Distributed
101	General	10,842,222.70	5,098.60
201	Street	758,848.71	333.88
208	Street SDC	3,093,651.47	1,390.90
218	Parks SDC	2,899,936.38	1,307.10
220	911	691,166.87	309.21
230	Development Services	3,000,345.51	1,324.03
250	Comm Dev Revolving (2)	(130,593.65)	(71.44)
260	Parking	966,050.39	436.88
270	Transit	2,029,420.98	887.26
301	Capital Improvement	355,704.61	166.16
401	General Obligation Debt Service	845,041.92	389.50
460	Davidson Library	5,533.49	2.50
501	Water	1,934,280.29	886.59
502	Water Timber	385,864.40	174.56
508	Water SDC	5,902,088.04	2,660.90
509	Water Construction (1)	-	-
520	Wastewater	2,380,514.39	1,076.76
528	Wastewater SDC	10,875,355.03	4,895.85
529	Wastewater Construction (1)	-	-
540	Storm Water	1,188,991.11	530.45
548	Storm Water SDC	120,973.96	54.06
549	Storm Water Construction (1)	-	-
560	Airport	514,153.49	231.62
569	Airport Construction (1)	-	-
610	Fleet Maintenance	82,267.62	36.98
615	Facility Maintenance	237,727.53	106.33
620	Technology & Communications	659,193.25	294.56
625	Administrative Services	665,679.68	298.65
630	Risk Management	842,661.53	393.23
	Total	**51,147,079.69**	**23,215.12**

* 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 investements 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.

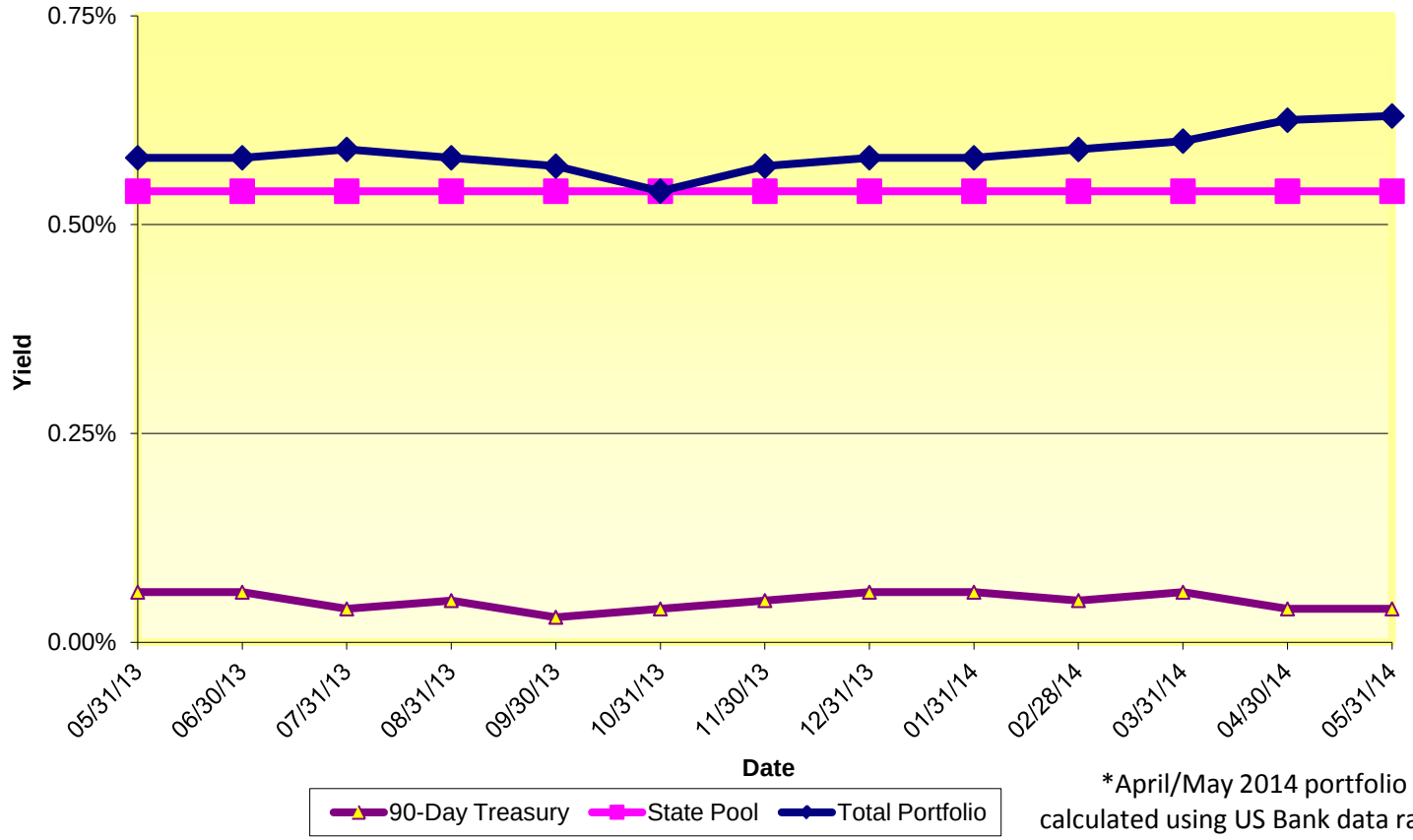
(1) Interest based on construction component fund cash balances for 509, 529, 549, & 569 is distributed to the related operations fund.

(2) CD Revolving Fund is carrying a negative cash balance due to timing of grant reimbursements relative to expenditures.

City of Corvallis

Total Portfolio vs. Benchmark

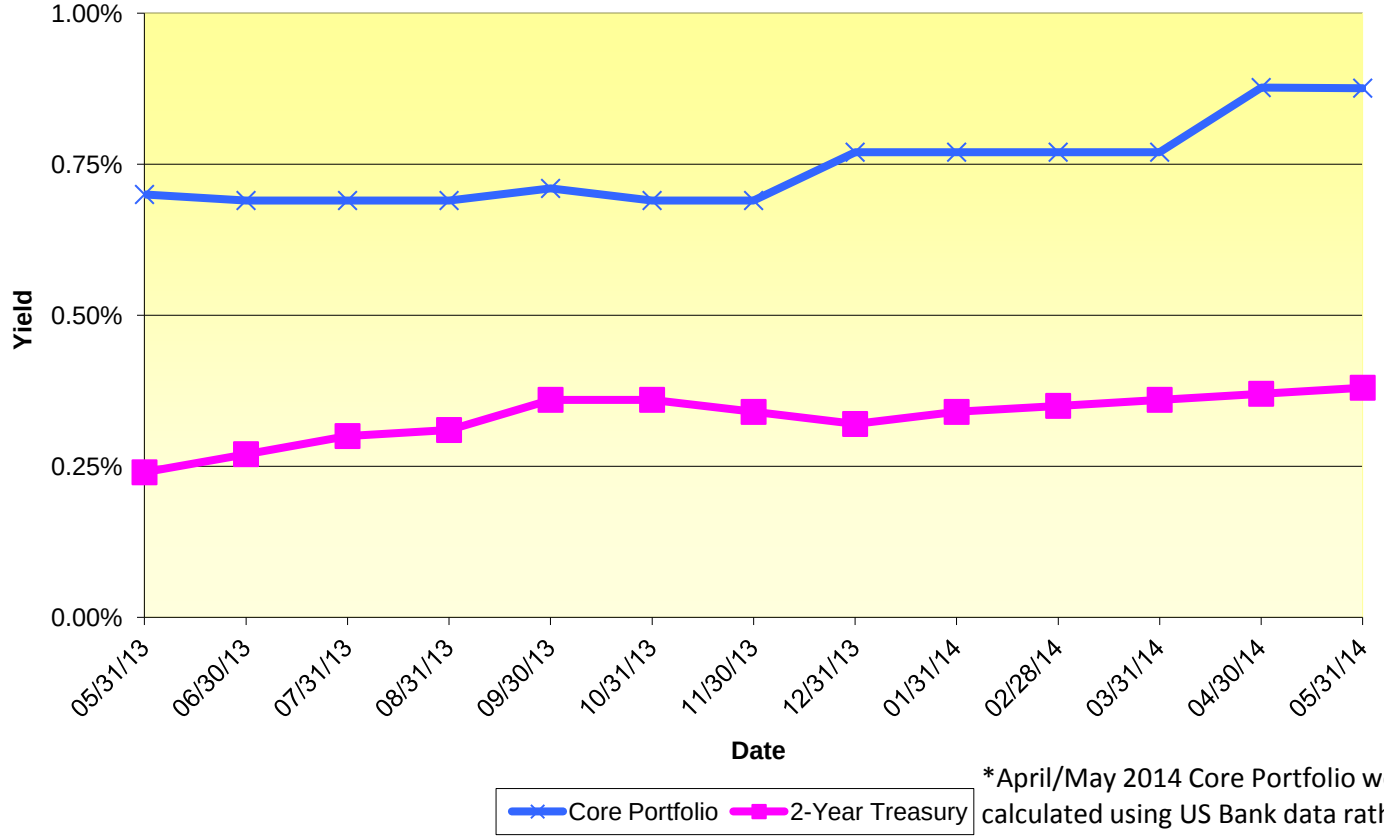
May 2013 - May 2014*

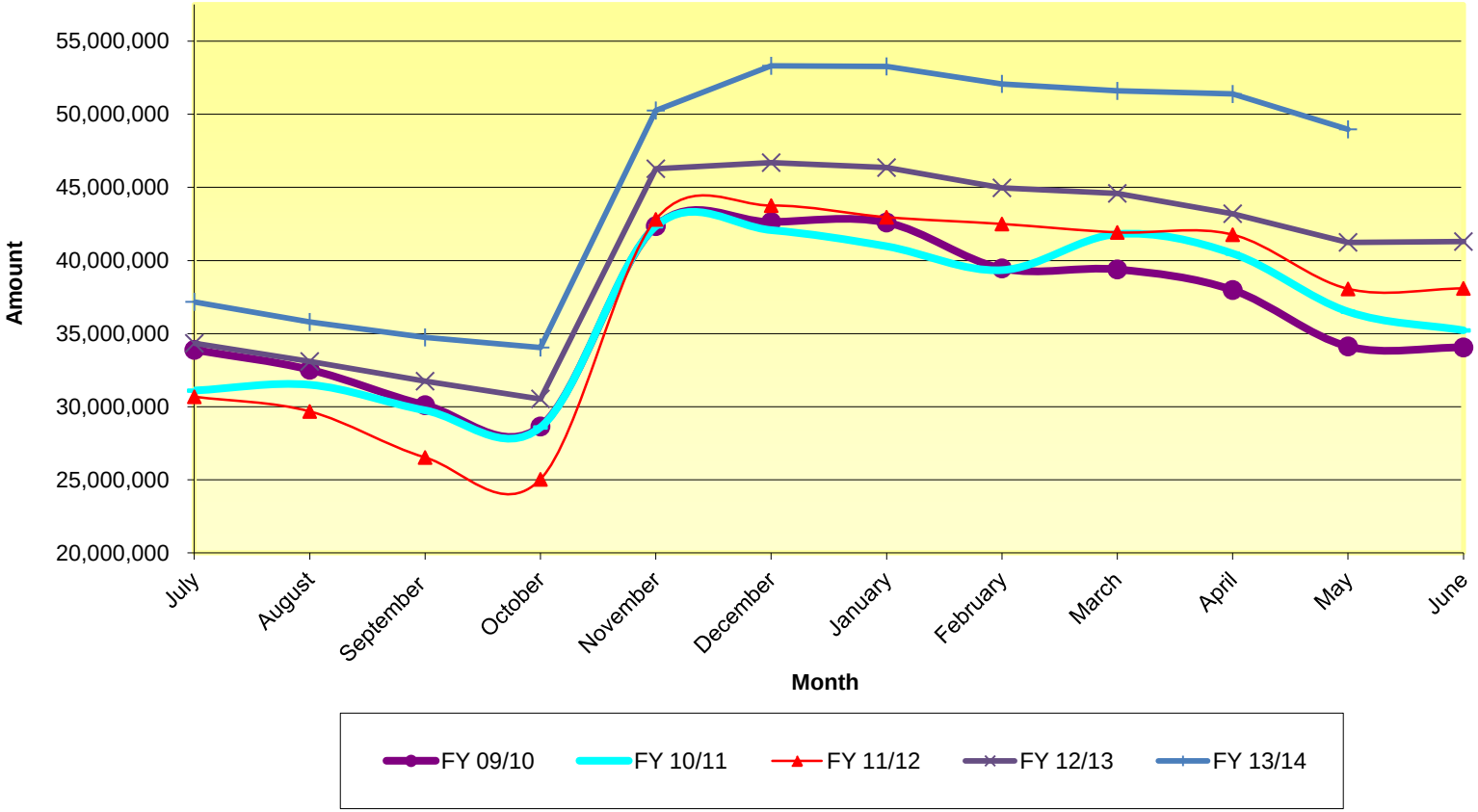


*April/May 2014 portfolio weighted-average yield calculated using US Bank data rather than DFIM report.

City of Corvallis

Core Portfolio vs. Benchmark
May 2013 - May 2014*



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

City of Corvallis
Cash & Investments