

**CITY OF SALEM
CITY MANAGER'S OFFICE
FINANCE DIVISION**

Si necesita ayuda para comprender esta información, por favor llame 503-588-6274

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**CITY OF SALEM
FINANCE COMMITTEE**

Committee Members

Councilor Brad Nanke, Chair
Mayor Chuck Bennett
Councilor Matthew Ausec
Councilor Tom Andersen

City Staff

Steve Powers, City Manager
Dan Atchison, City Attorney
Kelley Jacobs, Budget Officer
David Lacy, Financial Operations Manager
Tony Turley, Financial Reporting Manager
Samantha Naluai, Management Analyst
Kelli Blechschmidt, Administrative Analyst

Next Meeting: March 18, 2019

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MEETING AGENDA

February 11, 2019

12:00PM

City Manager's Conference Room
555 Liberty Street SE, Room 220

1. Call to Order
2. Approval of Minutes
 - a. December 17, 2018
3. Public Comment
(Appearance of persons wishing to address the Committee on any matter other than those which appear on this Agenda.)
4. Action Items
 - a. C-10 Building and Safety Fund Balance Policy
5. Management Update/Information Items
 - a. Quarterly Investment Report for the Quarter Ended December 31, 2018
 - b. Finance Committee 2019 Work Plan Discussion
6. Continued Business
7. New Business
8. Adjournment

City of Salem Finance Committee Minutes

DATE: December 17, 2018

CHAIRPERSON: Brad Nanke

PLACE: CMO Conference Room

STAFF LIAISON:

David Lacy

503-588-6174

dlacy@cityofsalem.net

Members Present:

Chair Nanke

Member Ausec

Member McCoid

Members Absent:

Mayor Bennett

Guests Present:

Charles Swank & Katherine Wilson-Grove, Mueller and Swank, P.C.

Staff Present:

Steve Powers, City Manager

Dan Atchison, City Attorney

Mina Hanssen, Human Resources Director

Kelley Jacobs, Budget Officer

David Lacy, Financial Operations Manager

Tony Turley, Financial Reporting Manager

Anja Hill, Treasury Supervisor

Jeremy Morgan, Accounting Supervisor

Marcus Pitts, Risk Manager

Josh Eggleston, Management Analyst

Samantha Naluai, Management Analyst

Kelli Blechschmidt, Administrative Analyst

1. CALL TO ORDER: 12:02 PM/ Quorum
2. APPROVAL OF FINANCE COMMITTEE MINUTES
 - a. March 19, 2018
3. ITEMS REQUIRING ACTION
 - a. Fund Balance Policies-Benefits Self Insurance and Risk Self Insurance
 - b. Councilor McCoid moves staff recommendation to forward to Council the creation of a Risk Self Insurance Fund to separate this from the Employee benefits fund and to create fund balance policies for each.

Motion carried by the following vote:
Aye: 3-Nanke, Ausec, and McCoid
Nay: 0
Absent-Bennett
Abstain: 0
4. MANAGEMENT UPDATE / INFORMATION ITEMS
 - a. FY 2017-2018 Audit Reports: Committee received and discussed City CAFR, URA CAFR and the Federal Grant Compliance Report; presented by Grove, Mueller and Swank, P.C.
 - b. Staff provided quarter ending June 30, 2018 and September 30, 2018 investment reports.
5. ADJOURNMENT: 12:32 PM

The next meeting is Tuesday, February 11th 2019 at noon.

**FOR COMMITTEE MEETING OF: February 11, 2019
AGENDA ITEM NO.: 4a**

TO: SALEM CITY COUNCIL FINANCE COMMITTEE

FROM: NORMAN WRIGHT, COMMUNITY DEVELOPMENT DIRECTOR

**SUBJECT: UPDATE TO COUNCIL POLICY C-10 BUILDING AND SAFETY
FUND BALANCE RESERVE POLICY**

ISSUE:

Shall the Salem City Council Finance Committee approve and recommend to the City Council that it adopt revisions to Council Policy C-10 to increase the Service Stabilization Reserve in the Building and Safety Fund Balance from a six-month equivalent to a one year equivalent?

RECOMMENDATION:

Approve and recommend to the City Council that it adopt revisions to Council Policy C-10 to increase the Service Stabilization Reserve in the Building and Safety Fund Balance from a six-month equivalent to a one year equivalent.

SUMMARY AND BACKGROUND:

Revenue and demand for Building and Safety Division services are directly related to economic activity. The Division maintains reserves in the Building and Safety Fund to ensure efficient customer service levels can be maintained when there are slowdowns in the construction industry. Under Council Policy C-10, a portion of the Building and Safety Fund – the Service Stabilization Reserve or operating reserve – must equal six months of budgeted operating expenditures. This proposed revision to the policy would increase that reserve amount to equal one year of budgeted operating expenditures.

During the last recession, the decline of the construction economy lasted more than 12 months. That resulted in a severe shortage of available inspectors and plans examiners statewide. This placed hardships on many building departments, including here in Salem. By increasing the amount of reserves, the Building and Safety Division will be better equipped to continue providing efficient services to the community and maintain a highly skilled work force despite any future declines in the construction industry.

FACTS AND FINDINGS:

The State Building Code is administered and enforced by the State of Oregon Building Codes Division. The State delegates this authority to local governments in many parts of Oregon, including in Salem. In turn, local governments are expected to operate financially independent of the State and provide services that are efficient.

Because the State may not be able to assume a local government's delegated program unexpectedly, requirements have been established within the Oregon Administrative Rules to help ensure the local government's operational and fiscal responsibility. Local governments with state-delegated inspection programs must maintain reserve funds to sustain service levels throughout changing economic periods.

The City of Salem's Building and Safety Division operates within a plan approved by and filed with the State of Oregon Building Codes Division. According to the operating plan, the Building and Safety Division maintains reserves in the Building and Safety Fund to assure maintenance of efficient customer service levels can be maintained during periods of construction decline.

Under Council Policy C-10, a portion of the Building and Safety Fund – the Service Stabilization Reserve – must equal six months of budgeted operating expenditures. This proposed revision to the policy would increase that reserve amount to equal one year of budgeted operating expenditures.

In the last recession, the decline of the construction economy lasted more than 12 months. Currently, local and state governments are experiencing a severe shortage of available inspectors and plans examiners due to the last recession. This shortage of available qualified workforce has placed hardships on many building departments because many left the trades and colleges are behind in training future work force participants.

This proposal to amend Council Policy C-10 policy will allow the Building and Safety Division to maintain qualified inspectors and plans examiners when construction activity and revenue are slow for more than six months. Reserve monies are currently contained within the Service Stabilization Reserve ending fund balance.

In addition to this State-required operating reserve, sound financial management practices include establishing reserves for contingencies and the purchase of capital assets beyond the current budget year.

A reserve policy should also provide for a debt service reserve when one is required by bond covenant.

The table below summarizes how the proposed policy addresses these four types of reserves:

Reserve Need	Policy Provisions (with Proposed Revision)
Operating reserve required by State	The Service Stabilization Reserve shall equal six twelve months of budgeted operating expenditures.
Contingencies	The Contingency Account shall equal budgeted contingencies and shall not exceed ten percent of budgeted expenditures.
Purchase of capital assets beyond the current budget year	The Capital Asset Reserve, if any, shall be recommended by the City Manager, who will, during the annual budget process, provide to the City Council a schedule of capital assets to be funded by the reserve.
Debt service	The Debt Service Reserve, if any, shall be determined by bond covenants or covenants in other debt instruments.

Rebai Tamerhoulet PE; SE
Building and Safety Division Administrator

Attachments:

1. Staff Report and Resolution 2009-30 Adopted May 4, 2009
2. Council Policy C-10 with Revisions

COUNCIL POLICY NO. C-10

TITLE: BUILDING AND SAFETY FUND BALANCE/RESERVE POLICY

POLICY: See attachment.

REFERENCE: Finance Committee Report dated 5/4/2009, Agenda Item No. 4.2 (a)

FUND BALANCE/RESERVE POLICY FOR THE BUILDING AND SAFETY FUND

Purpose

This policy establishes the components and uses of the fund balance for the Building and Safety Fund (“the Fund”). Sound financial management practices include establishing designated and undesignated fund balances sufficient to provide resources for events and service needs that were unanticipated during budget development; cover cash flow needs during a fiscal year; and provide a source of funds to sustain services during a temporary slowing in revenue and/or a source of bridge funding to allow transition to sustainable service levels.

Scope

This policy applies to the Fund.

Definitions

Capital Asset Reserve – A reserve established to accumulate resources annually that will be used to replace capital assets and to provide for major customer service enhancements, and where procurement will be budgeted in the Fund in a future year.

Contingency Account – A budgetary account used to appropriate resources that can be used to address events or service needs that were unanticipated during budget development. With City Council adoption of a transfer resolution, funds are transferred from the Contingency Account to an operating program.

Debt Service Reserve – A reserve established as a requirement of a bond covenant, or covenant in another debt instrument.

Fund Balance – On a budgetary basis the Fund Balance is the sum of the Contingency Account, Service Stabilization Reserve, Capital Asset Reserve and Debt Service Reserve. In the Comprehensive Annual Financial Report it is identified in the schedule titled Statement of Revenues, Expenditures and Changes in Fund Balance.

Service Stabilization Reserve – A reserve established to provide resources in the event of a material decrease in projected revenue during a given fiscal year, which will impact the upcoming fiscal year. The Service Stabilization Reserve allows the continuation of services for a finite period until additional resources are identified or a transition to a sustainable service level is completed. If the Service Stabilization Reserve is used to balance a City Manager budget proposal, the City Manager must include a plan for identifying additional resources or the transition to a sustainable service level. The Budget Committee will review a City Manager’s plan during the review of the City Manager’s Recommended Budget.

Related Financial Policies

- Stable Financial Environment
- Balanced Budget
- General Fund Balance Reserve Policy

Policy Statement

The Fund Balance for the Building and Safety Fund is the sum of the following:

- Service Stabilization Reserve
- Contingency Account
- Capital Asset Reserve
- Debt Service Reserve

For the purposes of preparing the budget, the Fund Balance shall consist of:

- The Service Stabilization Reserve, which shall equal six months of budgeted operating expenditures.
- The Contingency Account, which shall not exceed 10% of budgeted expenditures.
- The Capital Asset Reserve, if any, which shall be recommended by the City Manager, who will, during the annual budget process, provide to the City Council a schedule of capital assets to be funded by the reserve.
- The Debt Service Reserve, if any, as required by any bond covenants or covenants in other debt instruments that require a reserve, which is unavailable for purposes other than debt service.

The Service Stabilization Reserve, Contingency Account and Capital Asset Reserve can be used in the following circumstances:

1. Service Stabilization Reserves can be used by the City Manager to offset an unanticipated loss of revenue within a fiscal year or to balance a budget proposal in the event anticipated revenues may be insufficient to meet the expenditures necessary to maintain current services. Utilization of the Service Stabilization Reserve must be within the context of a multi-year financial plan designed to bring services to a sustainable level through additional resources, service reductions or a combination of such actions.
2. Contingency can be used with City Council adoption of a transfer resolution to meet expenditure requirements resulting from events or service needs not anticipated during budget development.
3. Capital Asset Reserve can be used for planned capital expenditures only with the express written consent of the City Manager. After the City Manager's approval, funds from the Reserve may be included in a transfer resolution for Council approval during a given fiscal year or included in a succeeding year's budget proposal.

COUNCIL POLICY NO. C-10

TITLE: BUILDING AND SAFETY FUND BALANCE/RESERVE POLICY

POLICY: See attachment.

REFERENCE: Finance Committee Report dated 5/4/2009, Agenda Item No. 4.2 (a)

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Related Financial Policies

- Stable Financial Environment
- Balanced Budget
- General Fund Balance Reserve Policy

Policy Statement

The Fund Balance for the Building and Safety Fund is the sum of the following:

- Service Stabilization Reserve
- Contingency Account
- Capital Asset Reserve
- Debt Service Reserve

For the purposes of preparing the budget, the Fund Balance shall consist of:

- The Service Stabilization Reserve, which shall equal ~~six~~ *twelve* months of budgeted operating expenditures.
- The Contingency Account, which shall not exceed 10% of budgeted expenditures.
- The Capital Asset Reserve, if any, which shall be recommended by the City Manager, who will, during the annual budget process, provide to the City Council a schedule of capital assets to be funded by the reserve.
- The Debt Service Reserve, if any, as required by any bond covenants or covenants in other debt instruments that require a reserve, which is unavailable for purposes other than debt service.

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3. Capital Asset Reserve can be used for planned capital expenditures only with the express written consent of the City Manager. After the City Manager's approval, funds from the Reserve may be included in a transfer resolution for Council approval during a given fiscal year or included in a succeeding year's budget proposal.



CITY OF SALEM

Investment Performance Review For the Quarter Ended December 31, 2018

Client Management Team

PFM Asset Management LLC

Lauren Brant, Managing Director
Allison Kaune, Senior Managing Consultant
Robert Cheddar, CFA, Managing Director

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Market Update

QUARTERLY MARKET SUMMARY

SUMMARY

- The fourth quarter was not for the faint of heart as markets experienced surging volatility, a worldwide equity sell-off, yield curve inversion, ongoing trade tensions and a partial government shutdown. Just as the New Year turned, however, a modicum of calm returned as stocks regained their footing amid the backdrop of stable U.S. economic prospects.
- The S&P 500 equity index plummeted 14% in the quarter, nearing bear market territory and erasing all gains for the year. International indices didn't fare any better, hampered by falling oil prices, rising protectionism and policy uncertainties.
- In response to the stock market sell-off and global turmoil, U.S. Treasury yields fell sharply and the yield curve partially inverted. While economists have so far shrugged off the yield curve flattening, and its typical interpretation as an early warning sign of an impending recession, weakening economic data emerging in both the U.S. and globally have added to the level of concern.
- The Federal Reserve (Fed) raised the federal funds target rate to a new range of 2.25% to 2.50% in December, the fourth rate increase in 2018. Unlike the well-choreographed path of rate hikes in 2018, the future direction of rates has become far less clear as the Fed appears to be recalibrating monetary policy by signaling a shift to a more "wait and see" and data-dependent approach. The Fed's December estimate was for two rate hikes in 2019, but the market expects none.
- The U.S. government ended the year embroiled in a partial shutdown that began on December 21. Six of 15 executive departments (representing about 75% of U.S. discretionary spending) are fully funded and operating normally. However, the departments of Agriculture, Commerce, Homeland Security, Housing and Urban Development, Justice, Interior, State, Transportation and Treasury are affected by the shutdown. Also affected are independent agencies, including the SEC and EPA. More than 800,000 federal employees and an estimated 4 million government contractors are affected. The White House Council of Economic Advisers estimated that gross domestic product (GDP) will be reduced by 0.13% for each week of the shutdown.

ECONOMIC SNAPSHOT

- U.S. real GDP grew at an annualized rate of 3.4% in the third quarter making the second and third quarters the best back-to-back quarters since 2014. The American consumer continued to drive strong third quarter growth that more than offset moderation in business investment and outright contraction in residential investment.
- U.S. labor market conditions remained healthy, providing the strongest evidence of continued growth of the U.S. economy. The economy added 762,000 new jobs in the fourth quarter, among the strongest quarters of the 9.5-year expansion. While the unemployment rate ticked higher to 3.9%, it was attributed to more workers entering the labor force, which is viewed as a positive sign.
- Inflation in the U.S. remained well-contained, hovering around the Fed's 2% target. Nevertheless inflation expectations weakened. While wage growth rose to match the expansion high, oil prices fell sharply, and home price growth slowed.

INTEREST RATES

- The U.S. Treasury yield curve inverted between 2- and 5-year maturities for the first time since March 2007. Short-term yields moved higher to parallel the December Fed rate hike, but yields on longer maturities plunged by up to 44 basis points (0.44%) as the market reassessed the trajectory for the U.S. economy and its implication for future Fed action.
- As stock markets fell and volatility rose, credit spreads widened sharply, reflecting heightened risk and uncertainty. Yield spreads on investment-grade corporates rose 44 basis points (63%) while spreads on high yield bonds (those rated below BBB) rose by 210 basis points (66%). Despite wider spreads, corporate profits and underlying fundamentals remained reasonably healthy.

SECTOR PERFORMANCE

- Total returns in the bond market were strong across the board in the quarter as lower yields pushed prices higher, reversing what had been dismal bond market returns over the first three quarters of the year. While diversification typically boosts returns, fourth quarter performance was led by the U.S. Treasury sector, as the flight to quality amid widespread market de-risking led to outperformance relative to most other investment-grade fixed income alternatives.
- As the long-end of the yield curve declined, it led to outperformance of longer maturities relative to shorter maturities. For example, the 3-month Treasury Bill Index generated 0.57% of total return for the quarter, while the 5-year and the 10-Year Treasury indices returned 1.49% and 2.21%, respectively.
- The federal agency sector inside of five years performed well, due to a combination of limited issuance and relative immunity from the quarter's spread widening across the credit sectors. Relative performance deteriorated farther out the curve, as even modestly wider spreads negatively impacted longer maturities. Supranationals also posted positive excess returns for the quarter as spreads remained in narrow ranges.
- The investment-grade corporate sector suffered from the market environment in the fourth quarter. Corporates underperformed Treasuries as spreads widened sharply, with higher-quality issues generally outperforming lower-quality ones. Poor fourth quarter performance dragged down trailing 12-month figures as well, which resulted in corporates underperforming Treasuries for the year.
- AAA-rated asset backed securities (ABS) posted negative excess returns for the quarter as spreads widened, but ABS outperformed corporates by a wide margin. The higher-quality and conservative structure of most ABS muted the impact of risk aversion on spread movements in the ABS sector.
- Mortgage-backed securities (MBS) generated negative excess returns for the third consecutive quarter. Increased volatility and negative convexity continued to hurt the sector. One bright spot, and one of our continued areas of emphasis, was the shorter agency-backed commercial mortgage-backed securities (CMBS), which was one of the best performing slices of the MBS universe.

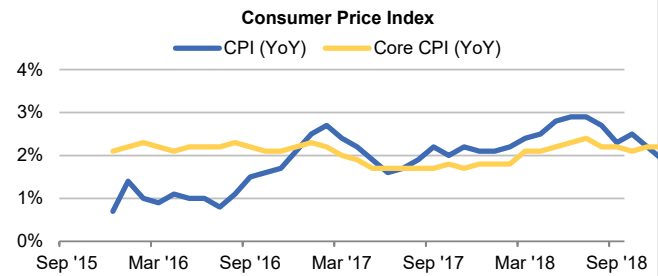
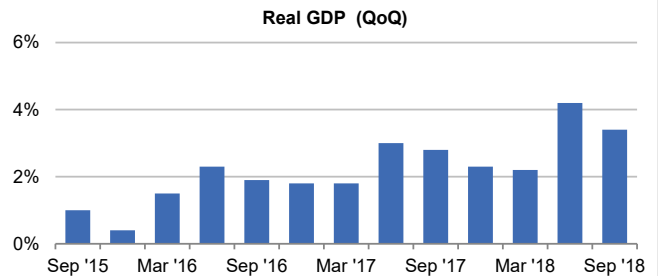
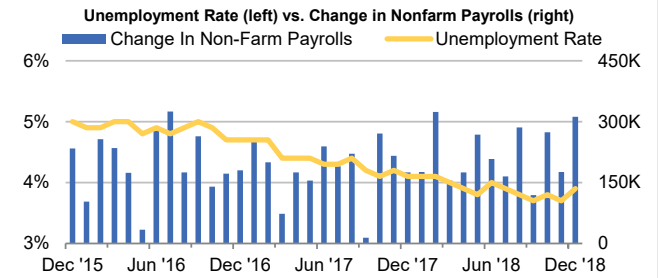
QUARTERLY MARKET SUMMARY

Economic Snapshot

Labor Market		Latest	Sep '18	Dec '17
Unemployment Rate	Dec '18	3.9%	3.7%	4.1%
Change In Non-Farm Payrolls	Dec '18	312,000	119,000	175,000
Average Hourly Earnings (YoY)	Dec '18	3.2%	2.8%	2.7%
Personal Income (YoY)	Nov '18	4.2%	4.2%	4.6%
Initial Jobless Claims (week)	1/19/19	199,000	207,000	248,000

Growth		Latest	Sep '18	Dec '17
Real GDP (QoQ SAAR)	2018Q3	3.4%	4.2% ¹	2.8% ²
GDP Personal Consumption (QoQ SAAR)	2018Q3	3.5%	3.8% ¹	2.2% ²
Retail Sales (YoY)	Nov '18	4.2%	4.0%	5.3%
ISM Manufacturing Survey (month)	Dec '18	54.3	59.5	59.4
Existing Home Sales SAAR (month)	Dec '18	4.99 mil.	5.15 mil.	5.56 mil.

Inflation / Prices		Latest	Sep '18	Dec '17
Personal Consumption Expenditures (YoY)	Nov '18	1.8%	2.0%	1.8%
Consumer Price Index (YoY)	Dec '18	1.9%	2.3%	2.1%
Consumer Price Index Core (YoY)	Dec '18	2.2%	2.2%	1.8%
Crude Oil Futures (WTI, per barrel)	12/31/18	\$45.41	\$73.25	\$60.42
Gold Futures (oz.)	12/31/18	\$1,281	\$1,192	\$1,309



1. Data as of Second Quarter 2018.

2. Data as of Third Quarter 2017.

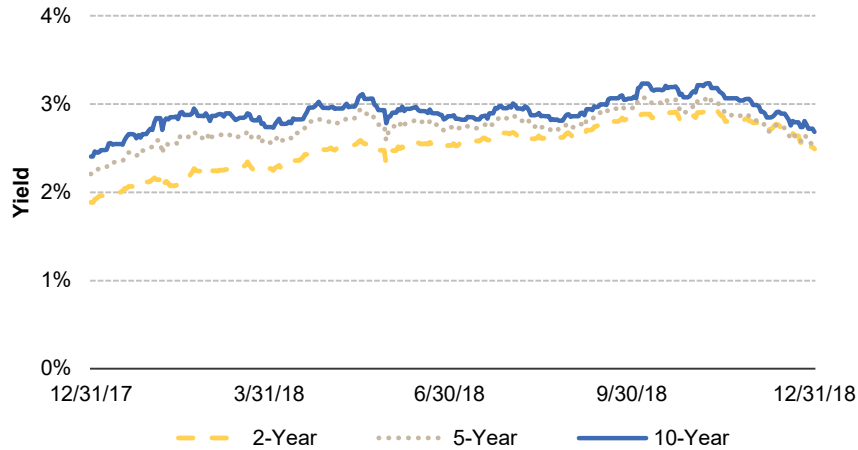
Note: YoY = year-over-year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

Source: Bloomberg.

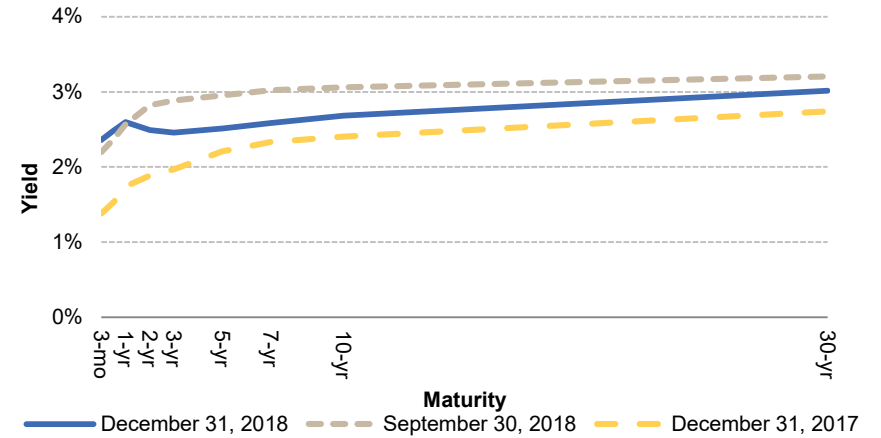
QUARTERLY MARKET SUMMARY

Interest Rate Overview

U.S. Treasury Note Yields



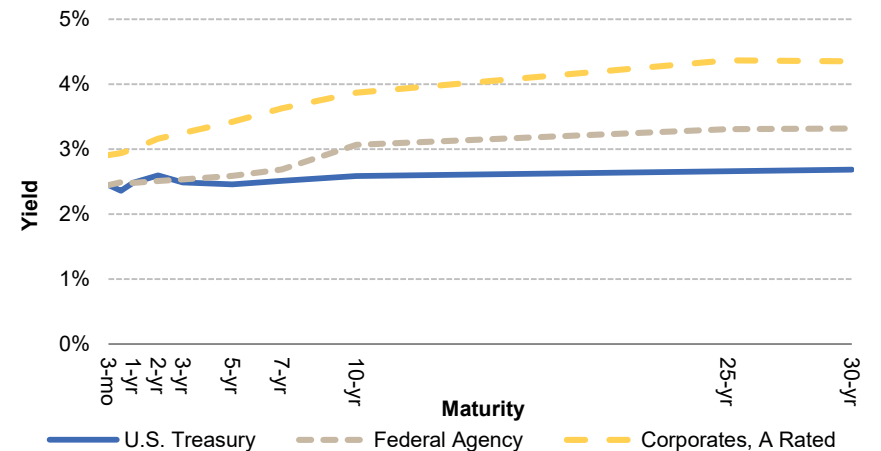
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Dec '18	Sep '18	Change Over Quarter	Dec '17	Change Over Year
3-month	2.36%	2.20%	0.16%	1.38%	0.98%
1-year	2.60%	2.57%	0.03%	1.74%	0.86%
2-year	2.49%	2.82%	(0.33%)	1.89%	0.60%
5-year	2.51%	2.95%	(0.44%)	2.21%	0.30%
10-year	2.69%	3.06%	(0.37%)	2.41%	0.28%
30-year	3.02%	3.21%	(0.19%)	2.74%	0.28%

Yield Curves as of 12/31/18



Source: Bloomberg.

QUARTERLY MARKET SUMMARY

ICE BofAML Index Returns

December 31, 2018	As of 12/31/18		Returns for Periods ended 12/31/18		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.87	2.53%	1.29%	1.58%	0.96%
Federal Agency	1.73	2.56%	1.24%	1.78%	1.13%
U.S. Corporates, A-AAA rated	1.84	3.22%	0.91%	1.64%	1.70%
Agency MBS (0 to 3 years)	4.32	3.19%	2.17%	1.75%	1.21%
Taxable Municipals	1.92	3.06%	1.06%	2.33%	2.31%
1-5 Year Indices					
U.S. Treasury	2.62	2.51%	1.72%	1.52%	1.08%
Federal Agency	2.04	2.56%	1.42%	1.71%	1.23%
U.S. Corporates, A-AAA rated	2.58	3.35%	1.00%	1.16%	1.86%
Agency MBS (0 to 5 years)	3.60	3.11%	1.54%	0.82%	1.27%
Taxable Municipals	2.42	3.33%	1.17%	2.22%	2.49%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.30	2.62%	2.60%	0.80%	1.45%
Federal Agency	4.03	2.72%	1.95%	1.37%	1.67%
U.S. Corporates, A-AAA rated	6.85	3.81%	0.66%	(1.69%)	2.69%
Agency MBS (0 to 30 years)	4.86	3.38%	2.04%	1.00%	1.70%
Taxable Municipals	10.42	4.11%	1.60%	(1.10%)	4.79%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

QUARTERLY MARKET SUMMARY

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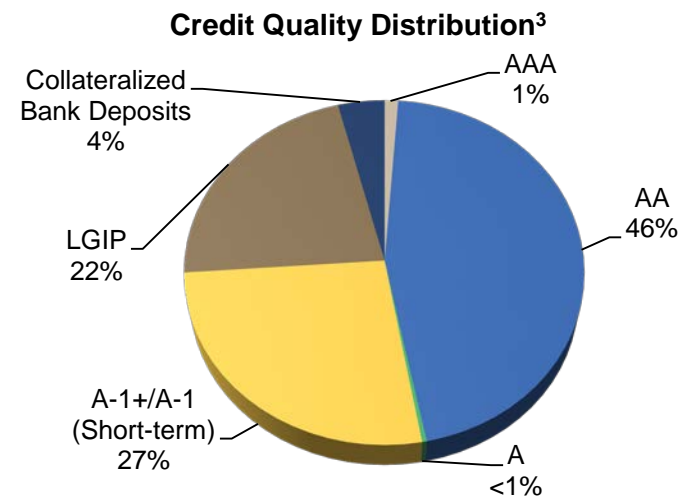
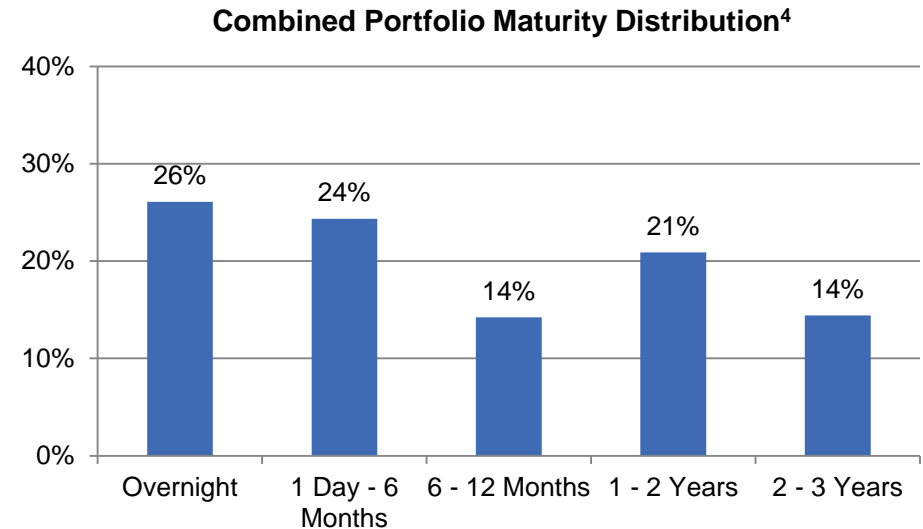
Investment Strategy & Portfolio Review

The portfolio is in compliance with applicable state statutes and the City's Investment Policy C-7.

Quarter Ended December 31, 2018 – 3Q18	
Quarterly Summary	
Market Value (MV)	\$386,474,461
Amortized Cost	\$387,358,072
Combined Portfolio Yield on Cost	2.23%
Weighted Average Maturity	0.84 years
Cash Basis Earnings for Quarter ²	\$944,528
Accrual Basis Earnings for Quarter ²	\$1,125,198
Quarterly Change	
Amortized Cost – 3Q18	\$315,813,638
Beginning MV – 3Q18	\$313,629,575
Net Contributions	\$52,315,298
Change in Cash	\$18,103,938
Change in MV	\$2,425,650
Ending MV – 4Q18	\$386,474,461

Sector Distribution				
Sector	Amortized ¹ Cost	Market ¹ Value	% of Portfolio	Allowed by Policy
U.S. Treasuries	\$165,457,808	\$165,368,619	43%	100%
Federal Agencies	\$64,794,644	\$64,163,330	17%	100%
U.S. Instrumentalities	\$2,739,527	\$2,708,987	1%	10%
Municipal Obligations	\$1,490,393	\$1,489,058	<1%	10%
Commercial Paper	\$26,314,235	\$26,309,024	7%	Combined 35% Max.
Corporate Notes	\$25,685,691	\$25,549,669	7%	
LGIP	\$85,375,862	\$85,375,862	22%	ORS limit
Collateralized Deposit Accounts	\$15,509,912	\$15,509,912	4%	100%
Total	\$387,358,072	\$386,474,461	100%	

1. Values as of September 30, 2018 including accrued interest.
2. Excludes earnings on LGIP and deposit accounts
3. Ratings by Standard & Poor's (S&P). Securities rated A by S&P are rated AA- or the equivalent or better by at least one nationally recognized statistical rating organization and in compliance with the City's investment policy and Oregon Revised Statutes.
4. Callable securities are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.



Strategy Recap

- Investors gravitated toward lower-risk assets through the final months of 2018 as volatility surged, stocks lost their footing, credit spreads widened, and the belly of the curve (maturities between one and five years) began trading at rates lower than shorter- and longer-term securities (maturities one year or less and maturities greater than five years). U.S. Treasury yields reversed course during the quarter as maturities beyond one year declined 30 – 40 basis points (0.30% to 0.40%).
- For the past several quarters we have positioned the Long-Term portfolio with a duration less than that of the benchmark. This benefited the portfolio for most of 2018 as the Federal Reserve raised rates, and yields across the curve increased. However, in the fourth quarter, sudden shifts in market sentiment caused interest rates to fall, which eroded some of those benefits, negatively impacting portfolio performance versus the benchmark. At the same time, the declines in longer-term yields positively impacted the portfolio's absolute performance.
 - Our strategy over the past several quarters was to increase exposure to U.S. Treasuries. This benefited the portfolio during the fourth quarter as U.S. Treasuries outperformed credit sectors for the quarter.
 - The federal agency sector generated positive returns for the fourth quarter, adding to the overall performance of the portfolio, while underperforming comparable U.S. Treasuries.
 - Corporates felt the pressure of wider spreads across all industries. As a result, the sector underperformed most fixed income alternatives in the quarter.
 - After yields narrowed to 12-month lows in the third quarter, spreads on commercial paper issuers rebounded in the fourth quarter. As a result, the portfolio benefited from additional allocations to high-quality, short-term commercial paper at attractive yields.

Investment Strategy Outlook

- ◆ While the path of future Fed rate hikes is less clear than in recent years, we expect future tightening (additional Fed rate hikes) to be modest. Further, political gridlock adds additional uncertainty. As a result, we will seek to increase portfolio duration to be more in line with (neutral to) the benchmark.
- ◆ Our outlooks for the major investment-grade fixed income sectors are as follows:
 - Federal agency spreads (incremental yield) remain very narrow as most maturities offer less than five basis points (0.05%) of incremental yield relative to U.S. Treasuries. We will continue to moderate use of agencies where yield differences are narrow, seeking better relative value in either Treasuries or other sectors. Callable agencies will continue to be evaluated, and, where analyses indicate strong value, we will seek to utilize these securities as portfolio diversifiers.
 - Although it appears that volatility may not dissipate quickly, the significant sell-off in the corporate sector (resulting in wider spreads) presents an opportunity to selectively add to the sector. We prefer high-quality, defensive issuers with a focus on one- to three-year maturities and continue to prefer financials (specifically domestic issuers) and to remain selective in industrial issuers.
 - Short-term money market investors continue to reap the rewards of current monetary policy as the fed funds effective rate now nears two and a half percent. Short-term commercial paper spreads have since normalized following very narrow yield differences at year-end, and once again provide an attractive, high-quality source of incremental income.



CITY OF SALEM LONG-TERM PORTFOLIO

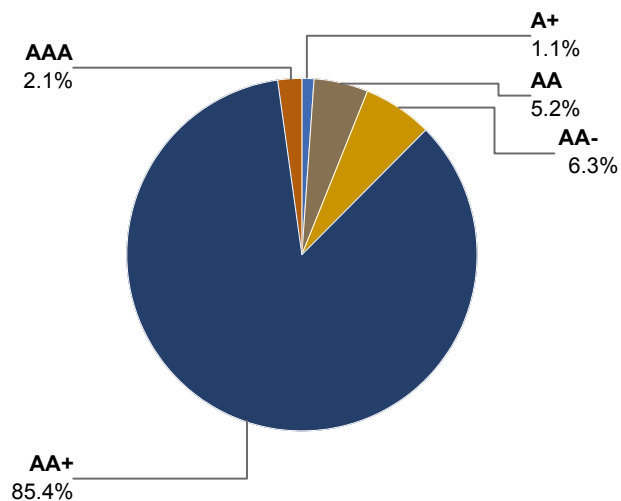
**Investment Performance Review
For the Quarter Ended December 31, 2018**

Portfolio Statistics

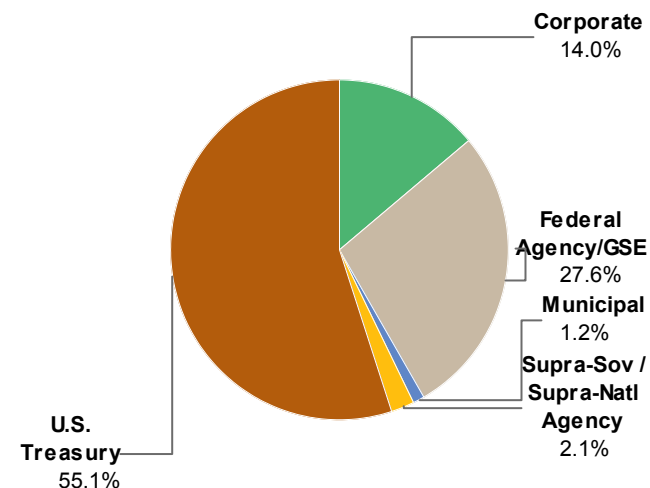
As of December 31, 2018

Par Value:	\$128,200,000
Total Market Value:	\$127,206,698
Security Market Value:	\$126,742,040
Accrued Interest:	\$464,658
Cash:	-
Amortized Cost:	\$127,110,192
Yield at Market:	2.59%
Yield at Cost:	2.12%
Effective Duration:	1.66 Years
Duration to Worst:	1.65 Years
Average Maturity:	1.75 Years
Average Credit: *	AA

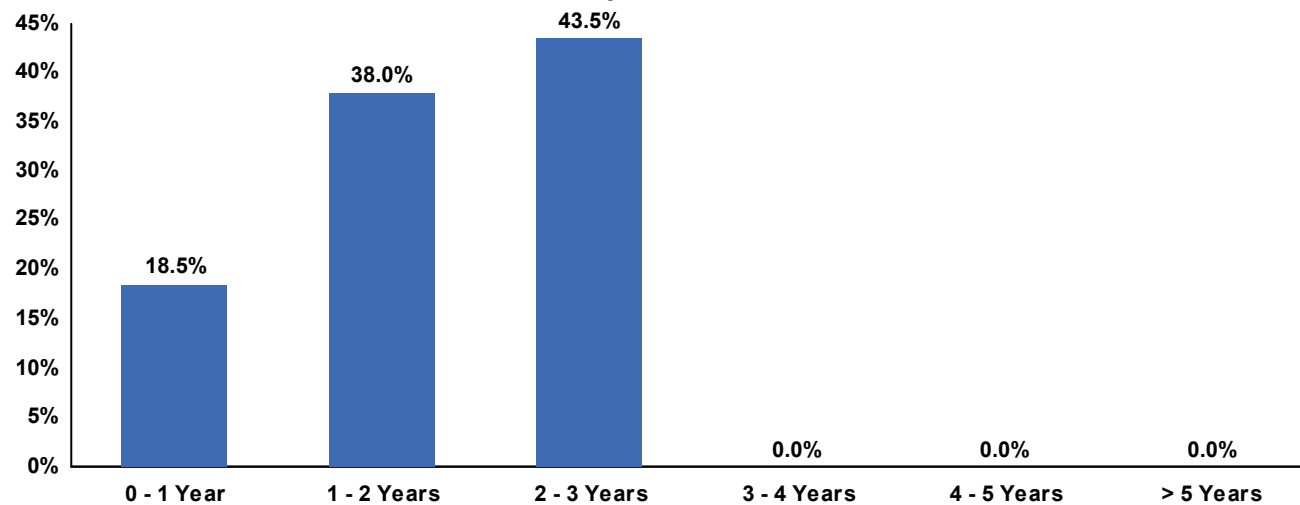
Credit Quality (S&P Ratings)



Sector Allocation



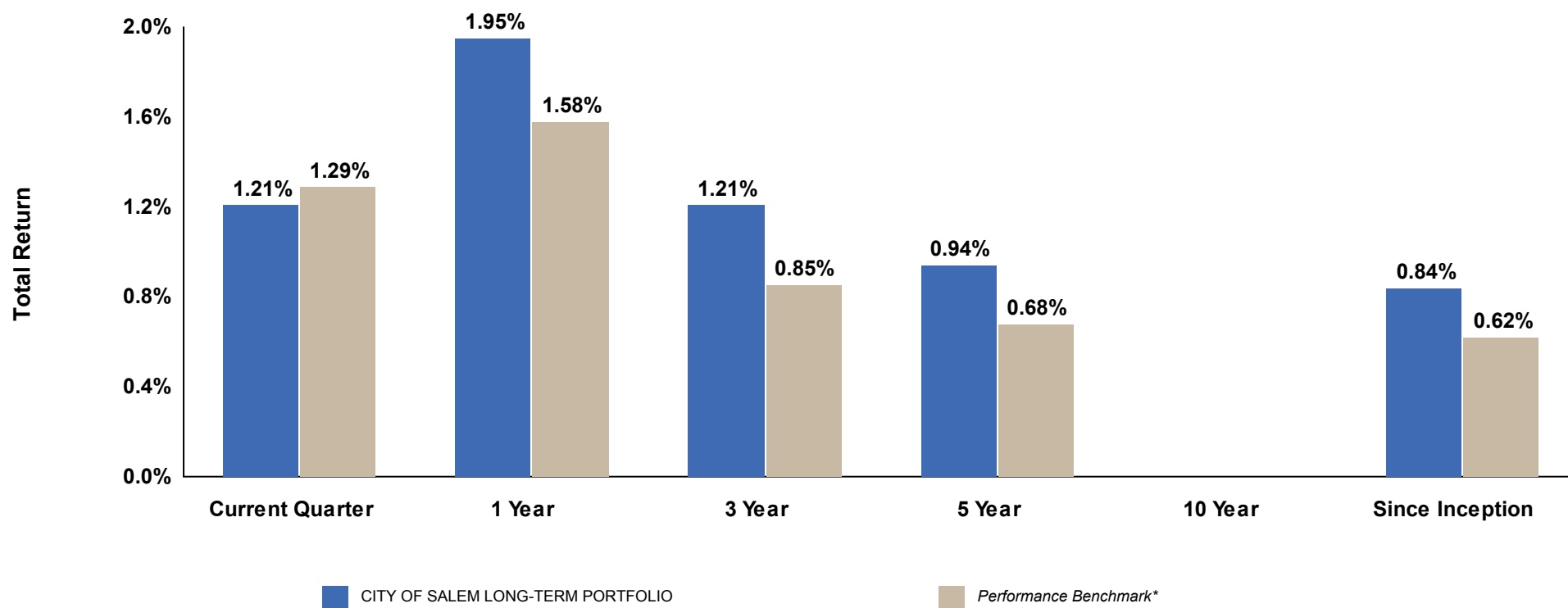
Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	Annualized Return				Since Inception (12/31/12)
			1 Year	3 Year	5 Year	10 Year	
CITY OF SALEM LONG-TERM PORTFOLIO	1.66	1.21%	1.95%	1.21%	0.94%	-	0.84%
<i>Performance Benchmark*</i>	1.81	1.29%	1.58%	0.85%	0.68%	-	0.62%
Difference		-0.08%	0.37%	0.36%	0.26%	-	0.22%



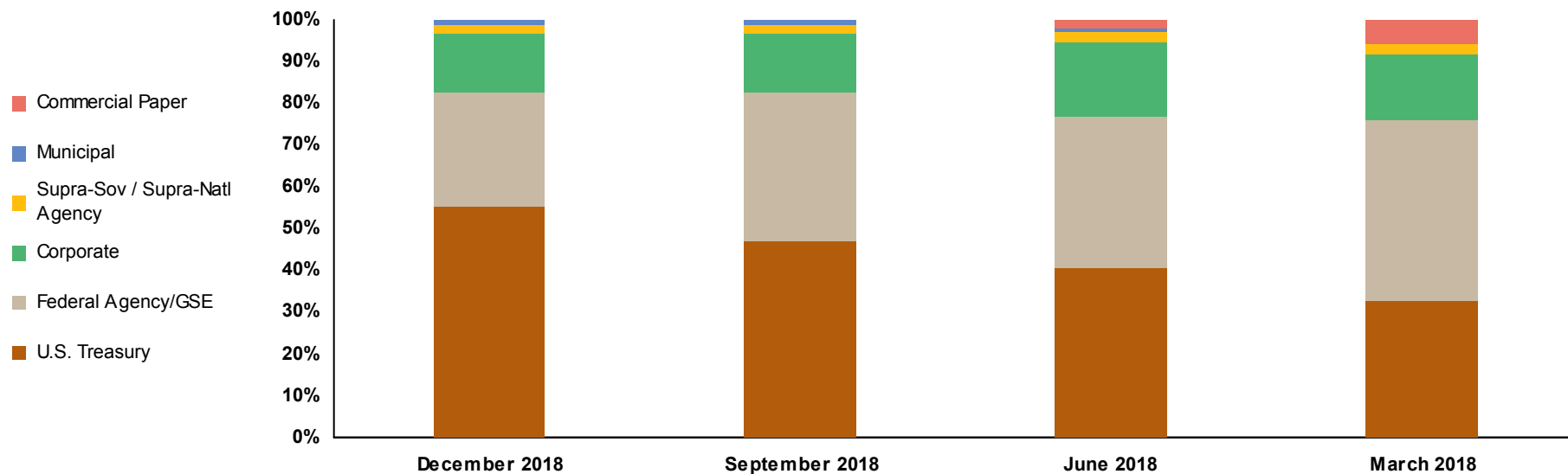
*Performance benchmark was the ICE Bank of America Merrill Lynch (ICE BAML) 0-3 Year U.S. Treasury Index from inception through 6/30/2016 and the ICE BAML 1-3 Year U.S. Treasury Index beginning 6/30/2016. Portfolio performance is gross of fees unless otherwise indicated.

Portfolio Earnings*Quarter-Ended December 31, 2018*

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2018)	\$125,862,623.26	\$127,257,532.96
Net Purchases/Sales	(\$128,486.52)	(\$128,486.52)
Change in Value	\$1,007,903.45	(\$18,854.63)
Ending Value (12/31/2018)	\$126,742,040.19	\$127,110,191.81
Interest Earned	\$520,345.06	\$520,345.06
Portfolio Earnings	\$1,528,248.51	\$501,490.43

Sector Allocation

Sector	December 31, 2018		September 30, 2018		June 30, 2018		March 31, 2018	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
U.S. Treasury	69.9	55.1%	59.3	47.1%	50.2	40.6%	40.1	32.4%
Federal Agency/GSE	35.0	27.6%	44.7	35.6%	44.7	36.2%	53.9	43.6%
Corporate	17.7	14.0%	17.6	14.0%	22.0	17.8%	19.5	15.8%
Supra-Sov / Supra-Natl Agency	2.7	2.1%	2.7	2.1%	2.7	2.2%	2.7	2.2%
Municipal	1.5	1.2%	1.5	1.2%	1.5	1.2%	0.0	0.0%
Commercial Paper	0.0	0.0%	0.0	0.0%	2.5	2.0%	7.5	6.0%
Total	\$126.7	100.0%	\$125.9	100.0%	\$123.5	100.0%	\$123.7	100.0%

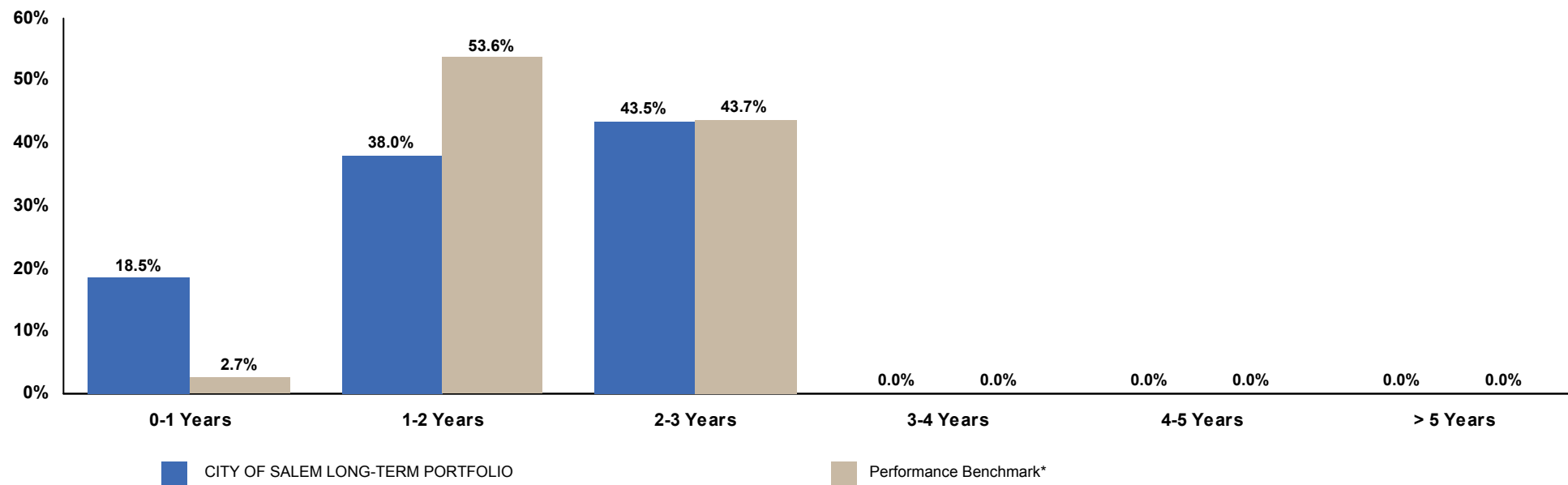


Detail may not add to total due to rounding.

Maturity Distribution

As of December 31, 2018

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
CITY OF SALEM LONG-TERM PORTFOLIO	2.59%	1.75 yrs	18.5%	38.0%	43.5%	0.0%	0.0%	0.0%
Performance Benchmark*	2.52%	1.94 yrs	2.7%	53.6%	43.7%	0.0%	0.0%	0.0%



*Performance benchmark was the ICE Bank of America Merrill Lynch (ICE BAML) 0-3 Year U.S. Treasury Index from inception through 6/30/2016 and the ICE BAML 1-3 Year U.S. Treasury Index beginning 6/30/2016.



CITY OF SALEM SHORT TERM PORTFOLIO

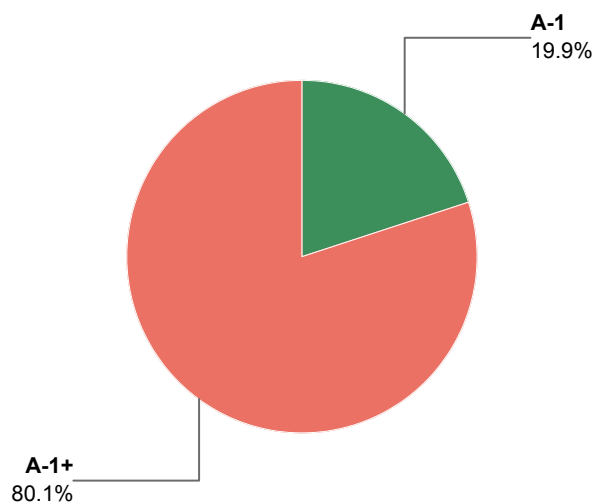
Investment Performance Review
For the Quarter Ended December 31, 2018

Portfolio Statistics

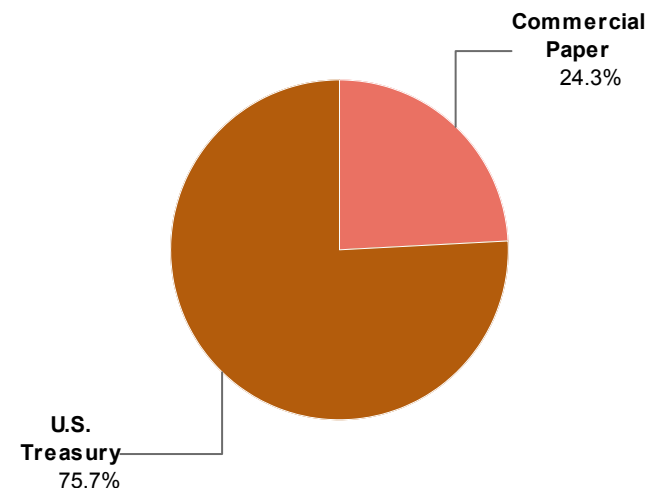
As of December 31, 2018

Par Value:	\$92,000,000
Total Market Value:	\$91,106,100
Security Market Value:	\$91,106,100
Accrued Interest:	-
Cash:	-
Amortized Cost:	\$91,100,887
Yield at Market:	2.50%
Yield at Cost:	2.52%
Effective Duration:	0.38 Years
Duration to Worst:	0.38 Years
Average Maturity:	0.39 Years
Average Credit: *	AA

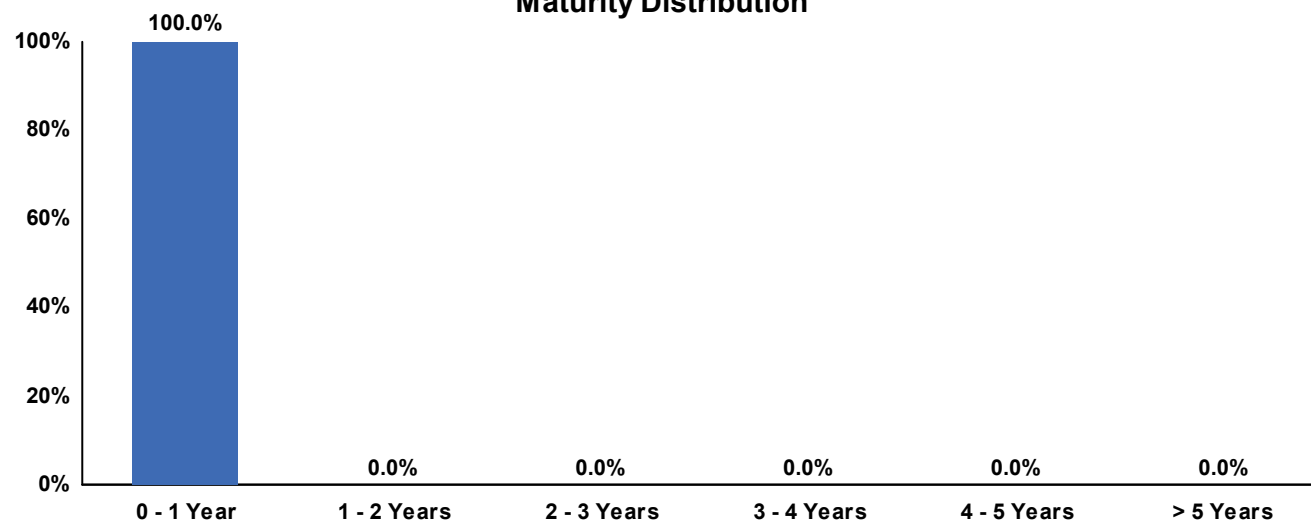
Credit Quality (S&P Ratings)



Sector Allocation



Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Earnings*Quarter-Ended December 31, 2018*

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2018)	\$37,333,755.75	\$37,343,073.52
Net Purchases/Sales	\$53,446,595.22	\$53,446,595.22
Change in Value	\$325,748.78	\$311,218.51
Ending Value (12/31/2018)	\$91,106,099.75	\$91,100,887.25
Interest Earned	\$12,846.28	\$12,846.28
Portfolio Earnings	\$338,595.06	\$324,064.79



CITY OF SALEM STREETS & BRIDGES GO BONDS

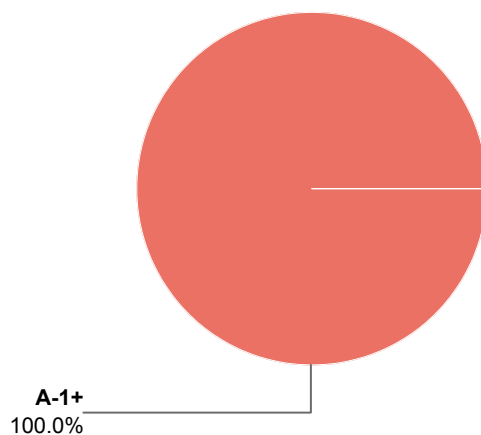
Investment Performance Review
For the Quarter Ended December 31, 2018

Portfolio Statistics

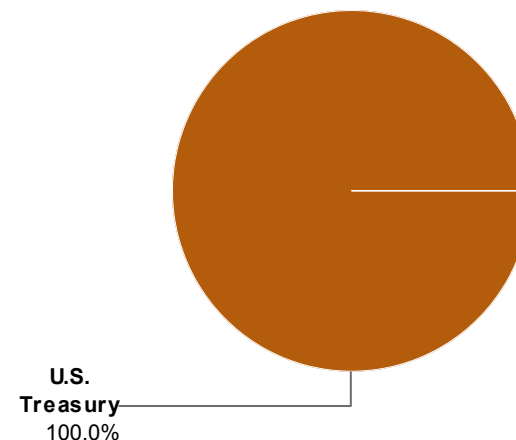
As of December 31, 2018

Par Value:	\$1,930,000
Total Market Value:	\$1,928,614
Security Market Value:	\$1,928,614
Accrued Interest:	-
Cash:	-
Amortized Cost:	\$1,928,541
Yield at Market:	1.91%
Yield at Cost:	2.22%
Effective Duration:	0.04 Years
Duration to Worst:	0.04 Years
Average Maturity:	0.04 Years
Average Credit: *	AA

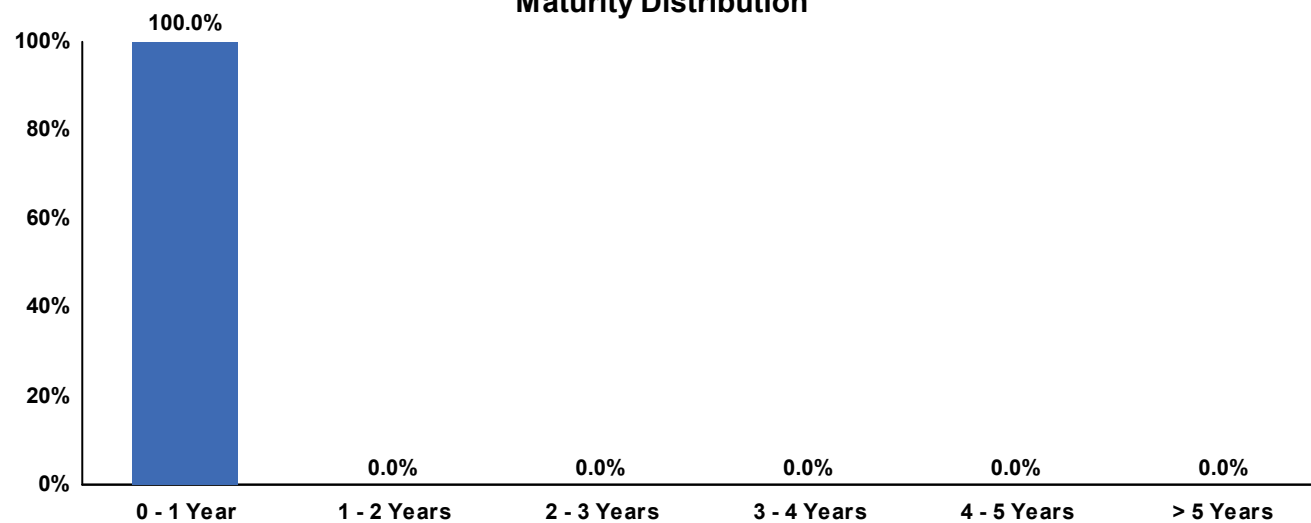
Credit Quality (S&P Ratings)



Sector Allocation



Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Earnings*Quarter-Ended December 31, 2018*

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2018)	\$1,929,035.82	\$1,929,236.85
Net Purchases/Sales	(\$11,207.08)	(\$11,207.08)
Change in Value	\$10,784.90	\$10,510.85
Ending Value (12/31/2018)	\$1,928,613.64	\$1,928,540.62
Interest Earned	\$0.00	\$0.00
Portfolio Earnings	\$10,784.90	\$10,510.85



CITY OF SALEM POLICE FACILITY BONDS 2017

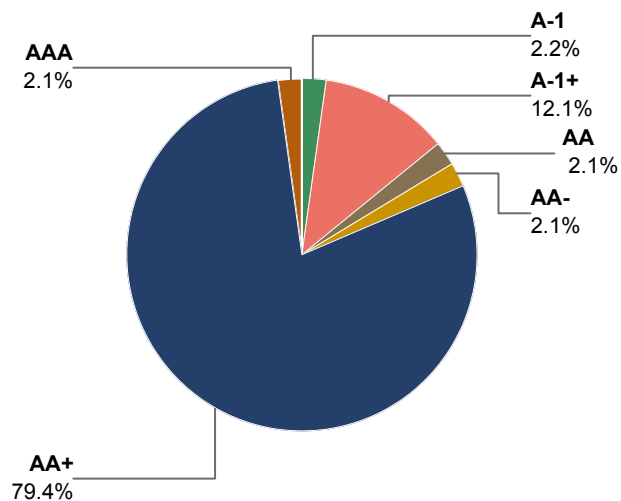
Investment Performance Review
For the Quarter Ended December 31, 2018

Portfolio Statistics

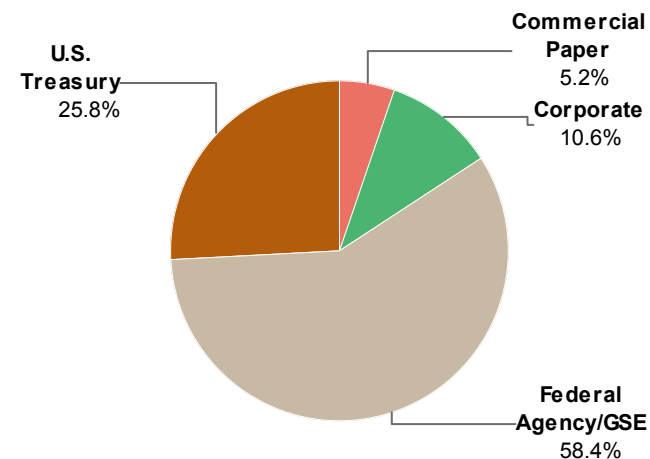
As of December 31, 2018

Par Value:	\$49,910,000
Total Market Value:	\$49,544,003
Security Market Value:	\$49,402,286
Accrued Interest:	\$141,717
Cash:	-
Amortized Cost:	\$49,882,908
Yield at Market:	2.57%
Yield at Cost:	1.58%
Effective Duration:	0.88 Years
Duration to Worst:	0.88 Years
Average Maturity:	0.90 Years
Average Credit: *	AA

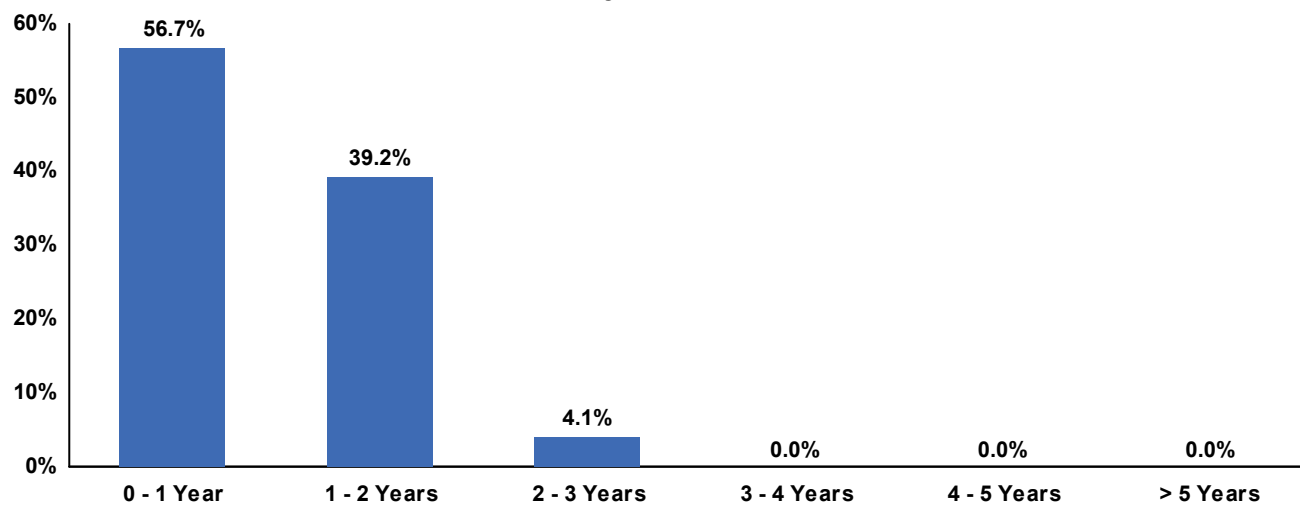
Credit Quality (S&P Ratings)



Sector Allocation



Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Earnings*Quarter-Ended December 31, 2018*

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2018)	\$49,221,140.34	\$49,898,561.87
Net Purchases/Sales	(\$58,451.67)	(\$58,451.67)
Change in Value	\$239,597.52	\$42,797.85
Ending Value (12/31/2018)	\$49,402,286.19	\$49,882,908.05
Interest Earned	\$152,539.92	\$152,539.92
Portfolio Earnings	\$392,137.44	\$195,337.77



CITY OF SALEM LIBRARY PROJ GO BONDS 2018

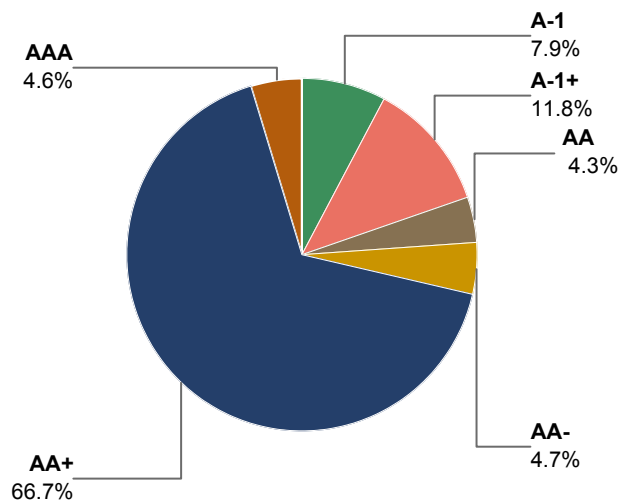
**Investment Performance Review
For the Quarter Ended December 31, 2018**

Portfolio Statistics

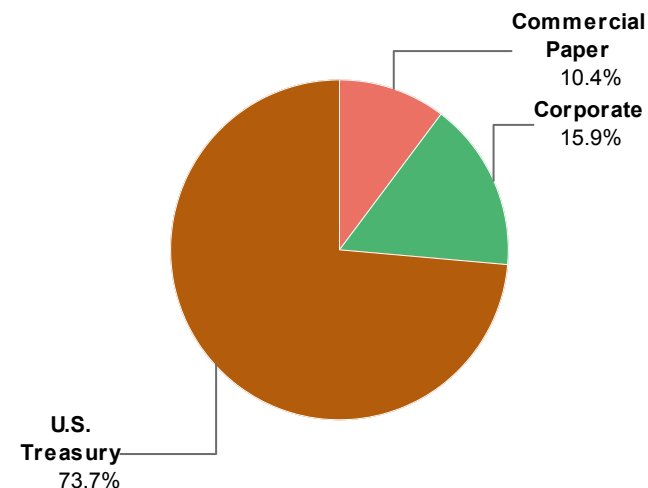
As of December 31, 2018

Par Value:	\$15,935,000
Total Market Value:	\$15,803,273
Security Market Value:	\$15,756,442
Accrued Interest:	\$46,832
Cash:	-
Amortized Cost:	\$15,796,563
Yield at Market:	2.57%
Yield at Cost:	2.41%
Effective Duration:	1.28 Years
Duration to Worst:	1.28 Years
Average Maturity:	1.32 Years
Average Credit: *	AA

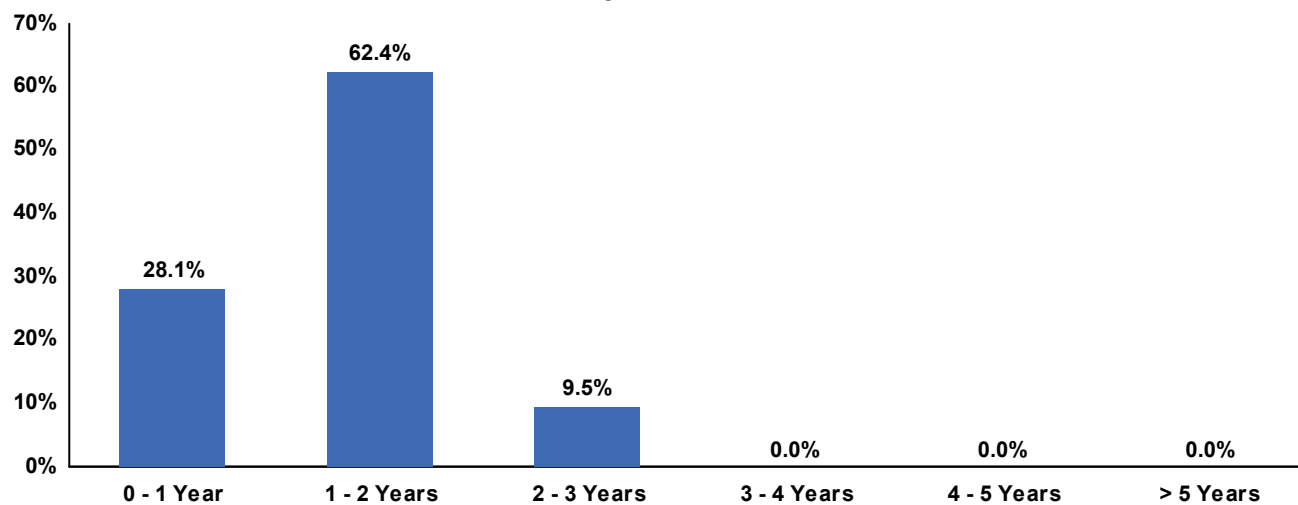
Credit Quality (S&P Ratings)



Sector Allocation



Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Earnings*Quarter-Ended December 31, 2018*

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2018)	\$15,678,915.22	\$15,781,128.16
Net Purchases/Sales	(\$22,320.77)	(\$22,320.77)
Change in Value	\$99,847.05	\$37,755.91
Ending Value (12/31/2018)	\$15,756,441.50	\$15,796,563.30
Interest Earned	\$56,037.77	\$56,037.77
Portfolio Earnings	\$155,884.82	\$93,793.68

Portfolio Transactions

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
11/9/18	11/13/18	9,965,000	9128285F3	UNITED STATES TREASURY NOTES	2.87%	10/15/21	9,955,516.65	2.99%	
12/4/18	12/7/18	5,000,000	912828U65	US TREASURY NOTES	1.75%	11/30/21	4,852,073.32	2.80%	
Total BUY		14,965,000					14,807,589.97		
INTEREST									
10/1/18	10/1/18	1,480,000	13063DGA0	CA ST TXBL GO BONDS	2.80%	4/1/21	17,957.33		
10/13/18	10/13/18	3,100,000	3135G0U27	FANNIE MAE NOTES	2.50%	4/13/21	38,750.00		
10/15/18	10/15/18	5,000,000	3137EADZ9	FREDDIE MAC NOTES	1.12%	4/15/19	28,125.00		
10/31/18	10/31/18	6,500,000	912828L99	US TREASURY NOTES	1.37%	10/31/20	44,687.50		
10/31/18	10/31/18	2,500,000	912828VA5	US TREASURY NOTES	1.12%	4/30/20	14,062.50		
10/31/18	10/31/18	5,000,000	912828D23	US TREASURY NOTES	1.62%	4/30/19	40,625.00		
10/31/18	10/31/18	2,500,000	912828K58	US TREASURY NOTES	1.37%	4/30/20	17,187.50		
11/13/18	11/13/18	2,500,000	037833BD1	APPLE INC CORP NOTE	2.00%	5/6/20	25,000.00		
11/13/18	11/13/18	1,750,000	458182DX7	INTER-AMERICAN DEVELOPMENT BANK	1.00%	5/13/19	8,750.00		
11/15/18	11/15/18	1,015,000	9128284P2	US TREASURY N/B NOTES	2.62%	5/15/21	13,321.88		
11/16/18	11/16/18	2,000,000	166764BH2	CHEVRON CORP NOTES	1.56%	5/16/19	15,610.00		
11/19/18	11/19/18	875,000	02079KAA5	ALPHABET INC CORP NOTE	3.62%	5/19/21	15,859.38		
11/20/18	11/20/18	2,750,000	89236TDE2	TOYOTA MOTOR CREDIT CORP NOTES	1.40%	5/20/19	19,250.00		
11/30/18	11/30/18	5,350,000	912828M98	US TREASURY NOTES	1.62%	11/30/20	43,468.75		
11/30/18	11/30/18	2,500,000	912828WN6	US TREASURY NOTES	2.00%	5/31/21	25,000.00		
11/30/18	11/30/18	1,335,000	191216BV1	COCA-COLA COMPANY CORP NOTES	1.37%	5/30/19	9,178.13		
11/30/18	11/30/18	4,000,000	9128284Q0	US TREASURY N/B NOTES	2.50%	5/31/20	50,000.00		
11/30/18	11/30/18	5,200,000	912828WN6	US TREASURY NOTES	2.00%	5/31/21	52,000.00		
12/23/18	12/23/18	2,500,000	931142EJ8	WAL-MART STORES INC CORP NOTES	3.12%	6/23/21	38,194.44		

CITY OF SALEM LONG-TERM PORTFOLIO

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
12/31/18	12/31/18	1,100,000	912828XH8	US TREASURY NOTES	1.62%	6/30/20	8,937.50		
12/31/18	12/31/18	5,000,000	912828S27	US TREASURY N/B	1.12%	6/30/21	28,125.00		
12/31/18	12/31/18	4,000,000	912828XH8	US TREASURY NOTES	1.62%	6/30/20	32,500.00		
Total INTEREST		67,955,000					586,589.91		
SELL									
11/9/18	11/13/18	5,000,000	912828D23	US TREASURY NOTES	1.62%	4/30/19	4,983,386.57	2.47%	(36,106.50)
11/9/18	11/13/18	5,000,000	3137EADZ9	FREDDIE MAC NOTES	1.12%	4/15/19	4,975,925.00	2.48%	(31,819.25)
12/4/18	12/7/18	5,000,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	4,985,487.50	2.65%	(49,382.30)
Total SELL		15,000,000					14,944,799.07		-117,308.05

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
11/2/18	11/5/18	2,500,000	89233HS39	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	5/3/19	2,466,064.58	2.77%	
11/2/18	11/5/18	5,250,000	912796QM4	UNITED STATES TREASURY BILL	0.00%	6/20/19	5,168,398.23	2.50%	
11/2/18	11/5/18	2,500,000	09659CQ50	BNP PARIBAS NY BRANCH COMM PAPER	0.00%	3/5/19	2,478,583.33	2.59%	
11/2/18	11/5/18	5,250,000	912796QX0	US TREASURY BILL	0.00%	2/14/19	5,216,233.39	2.31%	
11/2/18	11/5/18	2,500,000	62479MQ55	MUFG BANK LTD/NY COMM PAPER	0.00%	3/5/19	2,477,833.33	2.68%	
11/26/18	11/27/18	1,000,000	09659CSU3	BNP PARIBAS NY BRANCH COMM PAPER	0.00%	5/28/19	985,895.00	2.83%	
11/26/18	11/27/18	1,500,000	89233HSQ8	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	5/24/19	1,479,233.33	2.84%	
11/26/18	11/27/18	13,500,000	912796QH5	UNITED STATES TREASURY BILL	0.00%	5/23/19	13,336,717.50	2.49%	
11/26/18	11/27/18	1,500,000	46640QSU6	JP MORGAN SECURITIES LLC COMM PAPER	0.00%	5/28/19	1,478,008.33	2.94%	
11/26/18	11/27/18	13,500,000	912796RQ4	UNITED STATES TREASURY BILL	0.00%	5/16/19	13,345,087.50	2.46%	
11/26/18	11/27/18	1,000,000	62479MSQ7	MUFG BANK LTD/NY COMM PAPER	0.00%	5/24/19	985,957.78	2.88%	
11/27/18	11/29/18	7,000,000	912796QR3	UNITED STATES TREASURY BILL	0.00%	7/18/19	6,887,317.56	2.55%	
11/27/18	11/29/18	5,000,000	912796RA9	UNITED STATES TREASURY BILL	0.00%	9/12/19	4,898,704.94	2.59%	
11/27/18	11/29/18	5,000,000	912796QV4	UNITED STATES TREASURY BILL	0.00%	8/15/19	4,908,778.04	2.58%	
11/29/18	12/3/18	5,000,000	912796QH5	UNITED STATES TREASURY BILL	0.00%	5/23/19	4,941,515.63	2.49%	
11/29/18	12/3/18	6,000,000	912796QV4	UNITED STATES TREASURY BILL	0.00%	8/15/19	5,892,266.75	2.58%	
Total BUY		78,000,000					76,946,595.22		
INTEREST									
10/15/18	10/15/18	5,500,000	912828L81	US TREASURY NOTES	0.87%	10/15/18	24,062.50		
10/31/18	10/31/18	18,000,000	912828T83	US TREASURY NOTES	0.75%	10/31/18	67,500.00		
Total INTEREST		23,500,000					91,562.50		

CITY OF SALEM SHORT TERM PORTFOLIO

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
MATURITY									
10/15/18	10/15/18	5,500,000	912828L81	US TREASURY NOTES	0.87%	10/15/18	5,500,000.00		0.00
10/31/18	10/31/18	18,000,000	912828T83	US TREASURY NOTES	0.75%	10/31/18	18,000,000.00		0.00
Total MATURITY		23,500,000					23,500,000.00		0.00

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
10/5/18	10/9/18	930,000	912796QT9	US TREASURY BILL	0.00%	1/17/19	924,355.42	2.20%	
10/11/18	10/12/18	1,000,000	912796QS1	UNITED STATES TREASURY BILL	0.00%	1/10/19	994,437.50	2.24%	
Total BUY		1,930,000					1,918,792.92		
MATURITY									
10/5/18	10/5/18	930,000	62479MK51	MUFG BANK LTD/NY COMM PAPER	0.00%	10/5/18	930,000.00		0.00
10/11/18	10/11/18	1,000,000	912796NZ8	UNITED STATES TREASURY BILL	0.00%	10/11/18	1,000,000.00		0.00
Total MATURITY		1,930,000					1,930,000.00		0.00

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
10/26/18	10/29/18	1,500,000	89233HPR9	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	2/25/19	1,487,405.83	2.56%	
11/7/18	11/8/18	1,070,000	62479MP64	MUFG BANK LTD/NY COMM PAPER	0.00%	2/6/19	1,063,045.00	2.62%	
11/7/18	11/8/18	4,500,000	912796RC5	UNITED STATES TREASURY BILL	0.00%	3/21/19	4,461,097.50	2.36%	
Total BUY		7,070,000					7,011,548.33		
INTEREST									
10/2/18	10/2/18	2,570,000	3137EADM8	FREDDIE MAC GLOBAL NOTES	1.25%	10/2/19	16,062.50		
10/20/18	10/20/18	2,500,000	3137EAEF2	FHLMC AGENCY NOTES	1.37%	4/20/20	17,187.50		
11/15/18	11/15/18	1,050,000	166764AN0	CHEVRON CORP (CALLABLE) NOTE	2.19%	11/15/19	11,513.25		
11/15/18	11/15/18	1,515,000	3130AA3R7	FHLB NOTES	1.37%	11/15/19	10,415.63		
11/28/18	11/28/18	2,390,000	3130ABF92	FEDERAL HOME LOAN BANK AGENCY NOTES	1.37%	5/28/19	16,431.25		
11/30/18	11/30/18	2,500,000	912828XE5	US TREASURY NOTES	1.50%	5/31/20	18,750.00		
12/21/18	12/21/18	2,365,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	13,303.13		
12/22/18	12/22/18	2,480,000	3135G0D75	FNMA BENCHMARK NOTES	1.50%	6/22/20	18,600.00		
12/31/18	12/31/18	2,550,000	912828G95	US TREASURY NOTES	1.62%	12/31/19	20,718.75		
12/31/18	12/31/18	2,060,000	912828N48	US TREASURY NOTES	1.75%	12/31/20	18,025.00		
Total INTEREST		21,980,000					161,007.01		
MATURITY									
10/26/18	10/26/18	1,500,000	89233HKS2	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	10/26/18	1,500,000.00		0.00
11/5/18	11/5/18	1,500,000	22533UL50	CREDIT AGRICOLE CIB NY COMM PAPER	0.00%	11/5/18	1,500,000.00		0.00
11/8/18	11/8/18	1,070,000	62479ML84	MUFG BANK LTD/NY COMM PAPER	0.00%	11/8/18	1,070,000.00		0.00

CITY OF SALEM POLICE FACILITY BONDS 2017

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
11/8/18	11/8/18	3,000,000	912796PD5	UNITED STATES TREASURY BILL	0.00%	11/8/18	3,000,000.00		0.00
Total MATURITY		7,070,000					7,070,000.00		0.00

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
10/5/18	10/9/18	550,000	912796QT9	US TREASURY BILL	0.00%	1/17/19	546,661.81	2.20%	
11/27/18	11/29/18	920,000	912796QY8	UNITED STATES TREASURY BILL	0.00%	2/21/19	914,941.38	2.37%	
12/18/18	12/19/18	750,000	62479MRH8	MUFG BANK LTD/NY COMM PAPER	0.00%	4/17/19	743,083.13	2.82%	
12/18/18	12/19/18	500,000	09659CQJ0	BNP PARIBAS NY BRANCH COMM PAPER	0.00%	3/18/19	496,699.58	2.69%	
12/18/18	12/19/18	400,000	89233HRJ5	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	4/18/19	396,293.33	2.81%	
Total BUY		3,120,000					3,097,679.23		
INTEREST									
10/1/18	10/1/18	360,000	594918AH7	MICROSOFT CORP NOTES	3.00%	10/1/20	5,400.00		
10/17/18	10/17/18	370,000	89236TDU6	TOYOTA MOTOR CREDIT CORP	1.95%	4/17/20	3,607.50		
10/25/18	10/25/18	370,000	742718EZ8	THE PROCTER & GAMBLE CO CORP NOTES	1.75%	10/25/19	3,237.50		
10/31/18	10/31/18	840,000	912828L99	US TREASURY NOTES	1.37%	10/31/20	5,775.00		
10/31/18	10/31/18	530,000	912828K58	US TREASURY NOTES	1.37%	4/30/20	3,643.75		
11/11/18	11/11/18	375,000	037833CS7	APPLE INC BONDS	1.80%	5/11/20	3,375.00		
11/30/18	11/30/18	1,200,000	912828M98	US TREASURY NOTES	1.62%	11/30/20	9,750.00		
11/30/18	11/30/18	525,000	912828XE5	US TREASURY NOTES	1.50%	5/31/20	3,937.50		
12/15/18	12/15/18	320,000	717081EB5	PFIZER INC CORP NOTE	1.70%	12/15/19	2,720.00		
12/31/18	12/31/18	1,195,000	912828A83	US TREASURY NOTES	2.37%	12/31/20	14,190.63		
12/31/18	12/31/18	900,000	912828XH8	US TREASURY NOTES	1.62%	6/30/20	7,312.50		
Total INTEREST		6,985,000					62,949.38		
MATURITY									

CITY OF SALEM LIBRARY PROJ GO BONDS 2018

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
10/4/18	10/4/18	550,000	46640QK42	JP MORGAN SECURITIES LLC COMM PAPER	0.00%	10/4/18	550,000.00		0.00
11/29/18	11/29/18	920,000	912796QL6	UNITED STATES TREASURY BILL	0.00%	11/29/18	920,000.00		0.00
12/17/18	12/17/18	550,000	09659CMH8	BNP PARIBAS NY BRANCH COMM PAPER	0.00%	12/17/18	550,000.00		0.00
12/17/18	12/17/18	550,000	62479MMH3	MUFG BANK LTD/NY COMM PAPER	0.00%	12/17/18	550,000.00		0.00
12/17/18	12/17/18	550,000	89233HMH4	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	12/17/18	550,000.00		0.00
Total MATURITY		3,120,000					3,120,000.00		0.00

Portfolio Holdings

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 04/01/2013 1.125% 03/31/2020	912828UV0	2,930,000.00	AA+	Aaa	3/15/2017	3/17/2017	2,879,526.17	1.71	8,421.74	2,909,021.61	2,879,067.81
US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	2,500,000.00	AA+	Aaa	9/19/2018	9/20/2018	2,444,921.88	2.78	5,887.43	2,454,450.78	2,461,522.50
US TREASURY NOTES DTD 04/30/2013 1.125% 04/30/2020	912828VA5	2,500,000.00	AA+	Aaa	4/26/2017	4/27/2017	2,473,242.19	1.49	4,816.99	2,488,038.00	2,452,930.00
US TREASURY N/B NOTES DTD 05/31/2018 2.500% 05/31/2020	9128284Q0	4,000,000.00	AA+	Aaa	6/14/2018	6/18/2018	3,994,531.25	2.57	8,791.21	3,996,036.24	3,996,408.00
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	1,100,000.00	AA+	Aaa	6/27/2017	6/28/2017	1,103,093.75	1.53	49.38	1,101,559.06	1,085,132.40
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	4,000,000.00	AA+	Aaa	6/14/2018	6/18/2018	3,924,531.25	2.58	179.56	3,944,053.40	3,945,936.00
US TREASURY NOTES DTD 10/31/2015 1.375% 10/31/2020	912828L99	6,500,000.00	AA+	Aaa	2/1/2017	2/7/2017	6,416,718.75	1.73	15,307.32	6,458,497.18	6,367,972.00
US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	5,350,000.00	AA+	Aaa	1/8/2018	1/10/2018	5,284,169.92	2.07	7,642.86	5,306,004.54	5,261,810.60
US TREASURY NOTES DTD 01/31/2016 1.375% 01/31/2021	912828N89	5,000,000.00	AA+	Aaa	1/8/2018	1/10/2018	4,893,945.31	2.09	28,770.38	4,927,082.05	4,885,350.00
US TREASURY N/B NOTES DTD 05/15/2018 2.625% 05/15/2021	9128284P2	1,015,000.00	AA+	Aaa	5/24/2018	5/29/2018	1,014,286.33	2.65	3,459.27	1,014,429.61	1,018,251.05
US TREASURY NOTES DTD 06/02/2014 2.000% 05/31/2021	912828WN6	5,200,000.00	AA+	Aaa	6/14/2018	6/18/2018	5,098,640.63	2.69	9,142.86	5,116,595.80	5,142,311.20
US TREASURY NOTES DTD 06/02/2014 2.000% 05/31/2021	912828WN6	2,500,000.00	AA+	Aaa	6/5/2018	6/7/2018	2,456,542.97	2.61	4,395.60	2,464,589.43	2,472,265.00
US TREASURY N/B DTD 06/30/2016 1.125% 06/30/2021	912828S27	5,000,000.00	AA+	Aaa	6/14/2018	6/18/2018	4,771,679.69	2.70	155.39	4,810,691.05	4,839,260.00
US TREASURY N/B DTD 09/30/2016 1.125% 09/30/2021	912828T34	7,125,000.00	AA+	Aaa	9/11/2018	9/12/2018	6,774,873.05	2.82	20,479.48	6,808,649.22	6,872,005.50
US TREASURY N/B DTD 09/30/2016 1.125% 09/30/2021	912828T34	1,250,000.00	AA+	Aaa	3/6/2018	3/7/2018	1,190,283.20	2.53	3,592.89	1,203,584.50	1,205,615.00

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
UNITED STATES TREASURY NOTES DTD 10/15/2018 2.875% 10/15/2021	9128285F3	9,965,000.00	AA+	Aaa	11/9/2018	11/13/2018	9,932,691.60	2.99	49,067.99	9,934,156.13	10,070,100.86
US TREASURY NOTES DTD 11/30/2016 1.750% 11/30/2021	912828U65	5,000,000.00	AA+	Aaa	12/4/2018	12/7/2018	4,850,390.63	2.80	7,692.31	4,853,720.40	4,899,220.00
Security Type Sub-Total		70,935,000.00					69,504,068.57	2.46	177,852.66	69,791,159.00	69,855,157.92
Supra-National Agency Bond / Note											
INTER-AMERICAN DEVELOPMENT BANK DTD 04/12/2016 1.000% 05/13/2019	458182DX7	1,750,000.00	AAA	Aaa	4/5/2016	4/12/2016	1,744,750.00	1.10	2,333.33	1,749,366.96	1,739,375.75
AFRICAN DEVELOPMENT BANK NOTE DTD 09/20/2016 1.125% 09/20/2019	00828EBQ1	975,000.00	AAA	Aaa	9/14/2016	9/20/2016	973,966.50	1.16	3,077.34	974,749.00	964,200.90
Security Type Sub-Total		2,725,000.00					2,718,716.50	1.12	5,410.67	2,724,115.96	2,703,576.65
Municipal Bond / Note											
CA ST TXBL GO BONDS DTD 04/25/2018 2.800% 04/01/2021	13063DGA0	1,480,000.00	AA-	Aa3	4/18/2018	4/25/2018	1,480,059.20	2.80	10,360.00	1,480,033.08	1,478,697.60
Security Type Sub-Total		1,480,000.00					1,480,059.20	2.80	10,360.00	1,480,033.08	1,478,697.60
Federal Agency Bond / Note											
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	5,000,000.00	AA+	Aaa	7/21/2016	7/25/2016	4,986,450.00	0.97	19,687.50	4,997,473.25	4,952,305.00
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	3,200,000.00	AA+	Aaa	8/4/2016	8/8/2016	3,198,112.00	0.90	11,588.89	3,199,625.41	3,167,683.20
FHLB GLOBAL NOTE DTD 08/04/2016 0.875% 08/05/2019	3130A8Y72	3,200,000.00	AA+	Aaa	8/4/2016	8/8/2016	3,196,896.00	0.91	11,355.56	3,199,376.80	3,167,254.40
FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019	3130A9EP2	3,450,000.00	AA+	Aaa	10/4/2016	10/7/2016	3,448,344.00	1.02	9,104.17	3,449,585.62	3,408,282.60

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FREDDIE MAC NOTES DTD 01/17/2017 1.500% 01/17/2020	3137EAE5	7,500,000.00	AA+	Aaa	4/7/2017	4/10/2017	7,504,050.00	1.48	51,250.00	7,501,566.30	7,415,872.50
FNMA NOTES DTD 02/28/2017 1.500% 02/28/2020	3135G0T29	6,000,000.00	AA+	Aaa	2/27/2017	2/28/2017	5,991,000.00	1.55	30,750.00	5,996,476.74	5,931,708.00
FHLB NOTES DTD 09/08/2017 1.375% 09/28/2020	3130ACE26	1,400,000.00	AA+	Aaa	9/7/2017	9/8/2017	1,395,506.00	1.48	4,972.92	1,397,412.24	1,371,692.00
FANNIE MAE NOTES DTD 04/13/2018 2.500% 04/13/2021	3135G0U27	3,100,000.00	AA+	Aaa	4/12/2018	4/13/2018	3,095,381.00	2.55	16,791.67	3,096,453.88	3,097,470.40
FREDDIE MAC NOTES (CALLABLE) DTD 08/27/2018 2.900% 08/27/2021	3134GSWC5	2,500,000.00	AA+	Aaa	8/23/2018	8/27/2018	2,500,000.00	2.90	24,972.22	2,500,000.00	2,499,990.00
Security Type Sub-Total		35,350,000.00					35,315,739.00	1.47	180,472.93	35,337,970.24	35,012,258.10
Corporate Note											
CHEVRON CORP NOTES DTD 05/16/2016 1.561% 05/16/2019	166764BH2	2,000,000.00	AA	Aa2	5/9/2016	5/16/2016	2,000,000.00	1.56	3,902.50	2,000,000.00	1,989,200.00
TOYOTA MOTOR CREDIT CORP NOTES DTD 05/20/2016 1.400% 05/20/2019	89236TDE2	2,750,000.00	AA-	Aa3	5/17/2016	5/20/2016	2,746,150.00	1.45	4,384.72	2,749,495.51	2,734,470.75
COCA-COLA COMPANY CORP NOTES DTD 05/31/2016 1.375% 05/30/2019	191216BV1	1,335,000.00	A+	A1	5/25/2016	5/31/2016	1,334,065.50	1.40	1,580.68	1,334,868.82	1,327,660.17
APPLE INC CORP NOTE DTD 05/13/2015 2.000% 05/06/2020	037833BD1	2,500,000.00	AA+	Aa1	6/27/2017	6/28/2017	2,515,225.00	1.78	6,666.67	2,507,288.80	2,476,342.50
3M COMPANY CORP NOTES DTD 08/07/2015 2.000% 08/07/2020	88579YAQ4	2,500,000.00	AA-	A1	8/2/2017	8/7/2017	2,522,500.00	1.69	20,000.00	2,512,138.85	2,469,462.50
BERKSHIRE HATHAWAY FINANCE CORP NOTES DTD 01/11/2011 4.250% 01/15/2021	084664BQ3	2,000,000.00	AA	Aa2	5/15/2018	5/17/2018	2,065,600.00	2.96	39,194.44	2,050,763.66	2,051,426.00
CISCO SYSTEMS INC CORP NOTES DTD 02/29/2016 2.200% 02/28/2021	17275RBD3	1,250,000.00	AA-	A1	3/6/2018	3/7/2018	1,226,487.50	2.86	9,395.83	1,232,784.63	1,233,436.25

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
ALPHABET INC CORP NOTE DTD 04/27/2016 3.625% 05/19/2021	02079KAA5	875,000.00	AA+	Aa2	5/16/2018	5/17/2018	893,357.50	2.89	3,700.52	889,683.11	892,589.25
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 3.125% 06/23/2021	931142EJ8	2,500,000.00	AA	Aa2	6/20/2018	6/27/2018	2,499,875.00	3.13	1,736.11	2,499,890.15	2,517,762.50
Security Type Sub-Total		17,710,000.00					17,803,260.50	2.12	90,561.47	17,776,913.53	17,692,349.92
Managed Account Sub Total		128,200,000.00					126,821,843.77	2.12	464,657.73	127,110,191.81	126,742,040.19
Securities Sub-Total		\$128,200,000.00					\$126,821,843.77	2.12%	\$464,657.73	\$127,110,191.81	\$126,742,040.19
Accrued Interest											\$464,657.73
Total Investments											\$127,206,697.92

Bolded items are forward settling trades.

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bill											
US TREASURY BILL DTD 08/16/2018 0.000% 02/14/2019	912796QX0	5,250,000.00	A-1+	P-1	11/2/2018	11/5/2018	5,216,233.39	2.31	0.00	5,235,289.76	5,234,979.75
UNITED STATES TREASURY BILL DTD 09/13/2018 0.000% 03/14/2019	912796RB7	2,500,000.00	A-1+	P-1	9/19/2018	9/20/2018	2,471,987.85	2.33	0.00	2,488,475.00	2,488,247.50
UNITED STATES TREASURY BILL DTD 04/26/2018 0.000% 04/25/2019	912796QC6	1,750,000.00	A-1+	P-1	9/19/2018	9/20/2018	1,725,263.51	2.38	0.00	1,737,004.80	1,736,782.25
UNITED STATES TREASURY BILL DTD 11/15/2018 0.000% 05/16/2019	912796RQ4	13,500,000.00	A-1+	P-1	11/26/2018	11/27/2018	13,345,087.50	2.46	0.00	13,376,981.25	13,377,960.00
UNITED STATES TREASURY BILL -- 0.000% 05/23/2019	912796QH5	13,500,000.00	A-1+	P-1	11/26/2018	11/27/2018	13,336,717.50	2.49	0.00	13,369,005.05	13,371,642.00
UNITED STATES TREASURY BILL -- 0.000% 05/23/2019	912796QH5	5,000,000.00	A-1+	P-1	11/29/2018	12/3/2018	4,941,515.63	2.49	0.00	4,951,434.00	4,952,460.00
UNITED STATES TREASURY BILL DTD 06/21/2018 0.000% 06/20/2019	912796QM4	5,250,000.00	A-1+	P-1	11/2/2018	11/5/2018	5,168,398.23	2.50	0.00	5,188,888.53	5,189,803.50
UNITED STATES TREASURY BILL DTD 07/19/2018 0.000% 07/18/2019	912796QR3	7,000,000.00	A-1+	P-1	11/27/2018	11/29/2018	6,887,317.56	2.55	0.00	6,903,414.98	6,905,241.00
UNITED STATES TREASURY BILL DTD 08/16/2018 0.000% 08/15/2019	912796QV4	6,000,000.00	A-1+	P-1	11/29/2018	12/3/2018	5,892,266.75	2.58	0.00	5,904,518.70	5,905,638.00
UNITED STATES TREASURY BILL DTD 08/16/2018 0.000% 08/15/2019	912796QV4	5,000,000.00	A-1+	P-1	11/27/2018	11/29/2018	4,908,778.04	2.58	0.00	4,920,400.90	4,921,365.00
UNITED STATES TREASURY BILL DTD 09/13/2018 0.000% 09/12/2019	912796RA9	5,000,000.00	A-1+	P-1	11/27/2018	11/29/2018	4,898,704.94	2.59	0.00	4,910,352.05	4,911,670.00
Security Type Sub-Total		69,750,000.00					68,792,270.90	2.49	0.00	68,985,765.02	68,995,789.00
Commercial Paper											
MUFG BANK LTD/NY COMM PAPER DTD 07/19/2018 0.000% 01/17/2019	62479MNH2	2,500,000.00	A-1	P-1	9/19/2018	9/20/2018	2,480,414.58	2.39	0.00	2,497,366.68	2,497,107.50
BNP PARIBAS NY BRANCH COMM PAPER DTD 09/19/2018 0.000% 02/20/2019	09659CPL6	2,500,000.00	A-1	P-1	9/19/2018	9/20/2018	2,474,500.00	2.42	0.00	2,491,666.68	2,490,887.50

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Commercial Paper											
MUFG BANK LTD/NY COMM PAPER DTD 11/05/2018 0.000% 03/05/2019	62479MQ55	2,500,000.00	A-1	P-1	11/2/2018	11/5/2018	2,477,833.33	2.68	0.00	2,488,362.50	2,488,137.50
BNP PARIBAS NY BRANCH COMM PAPER DTD 11/02/2018 0.000% 03/05/2019	09659CQ50	2,500,000.00	A-1	P-1	11/2/2018	11/5/2018	2,478,583.33	2.59	0.00	2,488,756.25	2,488,377.50
JP MORGAN SECURITIES LLC COMM PAPER DTD 06/08/2018 0.000% 03/05/2019	46640QQ53	4,750,000.00	A-1	P-1	9/6/2018	9/7/2018	4,690,954.86	2.53	0.00	4,729,218.75	4,727,166.75
TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 08/06/2018 0.000% 05/03/2019	89233HS39	2,500,000.00	A-1+	P-1	11/2/2018	11/5/2018	2,466,064.58	2.77	0.00	2,476,870.83	2,476,075.00
MUFG BANK LTD/NY COMM PAPER DTD 08/28/2018 0.000% 05/24/2019	62479MSQ7	1,000,000.00	A-1	P-1	11/26/2018	11/27/2018	985,957.78	2.88	0.00	988,718.88	988,576.00
TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 08/28/2018 0.000% 05/24/2019	89233HSQ8	1,500,000.00	A-1+	P-1	11/26/2018	11/27/2018	1,479,233.33	2.84	0.00	1,483,316.66	1,483,152.00
BNP PARIBAS NY BRANCH COMM PAPER DTD 08/31/2018 0.000% 05/28/2019	09659CSU3	1,000,000.00	A-1	P-1	11/26/2018	11/27/2018	985,895.00	2.83	0.00	988,607.50	988,468.00
JP MORGAN SECURITIES LLC COMM PAPER DTD 08/31/2018 0.000% 05/28/2019	46640QSU6	1,500,000.00	A-1	P-1	11/26/2018	11/27/2018	1,478,008.33	2.94	0.00	1,482,237.50	1,482,363.00
Security Type Sub-Total		22,250,000.00					21,997,445.12	2.63	0.00	22,115,122.23	22,110,310.75
Managed Account Sub Total		92,000,000.00					90,789,716.02	2.52	0.00	91,100,887.25	91,106,099.75
Securities Sub-Total		\$92,000,000.00					\$90,789,716.02	2.52%	\$0.00	\$91,100,887.25	\$91,106,099.75
Accrued Interest											\$0.00
Total Investments											\$91,106,099.75

Bolded items are forward settling trades.

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bill											
UNITED STATES TREASURY BILL DTD 07/12/2018 0.000% 01/10/2019	912796QS1	1,000,000.00	A-1+	P-1	10/11/2018	10/12/2018	994,437.50	2.24	0.00	999,443.75	999,499.00
US TREASURY BILL DTD 07/19/2018 0.000% 01/17/2019	912796QT9	930,000.00	A-1+	P-1	10/5/2018	10/9/2018	924,355.42	2.20	0.00	929,096.87	929,114.64
Security Type Sub-Total		1,930,000.00					1,918,792.92	2.22	0.00	1,928,540.62	1,928,613.64
Managed Account Sub Total		1,930,000.00					1,918,792.92	2.22	0.00	1,928,540.62	1,928,613.64
Securities Sub-Total		\$1,930,000.00					\$1,918,792.92	2.22%	\$0.00	\$1,928,540.62	\$1,928,613.64
Accrued Interest											\$0.00
Total Investments											\$1,928,613.64

Bolded items are forward settling trades.

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 12/31/2014 1.625% 12/31/2019	912828G95	2,550,000.00	AA+	Aaa	9/1/2017	9/7/2017	2,564,044.92	1.38	114.47	2,556,118.80	2,524,599.45
US TREASURY NOTES DTD 06/01/2015 1.500% 05/31/2020	912828XE5	2,500,000.00	AA+	Aaa	9/1/2017	9/7/2017	2,504,589.84	1.43	3,296.70	2,502,405.05	2,463,280.00
US TREASURY NOTES DTD 09/30/2015 1.375% 09/30/2020	912828L65	1,295,000.00	AA+	Aaa	9/1/2017	9/7/2017	1,291,003.71	1.48	4,549.40	1,292,704.43	1,269,555.84
US TREASURY NOTES DTD 12/31/2015 1.750% 12/31/2020	912828N48	2,060,000.00	AA+	Aaa	9/1/2017	9/7/2017	2,074,484.38	1.53	99.59	2,068,830.42	2,030,628.52
Security Type Sub-Total		8,405,000.00					8,434,122.85	1.45	8,060.16	8,420,058.70	8,288,063.81
U.S. Treasury Bill											
UNITED STATES TREASURY BILL DTD 09/20/2018 0.000% 03/21/2019	912796RC5	4,500,000.00	A-1+	P-1	11/7/2018	11/8/2018	4,461,097.50	2.36	0.00	4,476,892.50	4,477,171.50
Security Type Sub-Total		4,500,000.00					4,461,097.50	2.36	0.00	4,476,892.50	4,477,171.50
Federal Agency Bond / Note											
FEDERAL HOME LOAN BANK AGENCY NOTES DTD 05/12/2017 1.375% 05/28/2019	3130ABF92	2,390,000.00	AA+	Aaa	9/5/2017	9/8/2017	2,392,748.50	1.31	3,012.40	2,390,660.02	2,378,346.36
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	2,365,000.00	AA+	Aaa	9/5/2017	9/8/2017	2,357,195.50	1.31	739.06	2,362,922.06	2,348,752.45
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	2,525,000.00	AA+	Aaa	9/5/2017	9/8/2017	2,503,310.25	1.34	9,942.19	2,518,547.31	2,500,914.03
FREDDIE MAC NOTES DTD 07/19/2017 1.375% 08/15/2019	3137EAEH8	1,940,000.00	AA+	Aaa	9/5/2017	9/8/2017	1,940,426.80	1.36	10,077.22	1,940,139.95	1,924,414.04
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	625,000.00	AA+	Aaa	9/5/2017	9/8/2017	620,537.50	1.37	2,135.42	623,498.07	618,340.00
FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019	3130A9EP2	1,525,000.00	AA+	Aaa	9/1/2017	9/7/2017	1,512,327.25	1.41	4,024.31	1,520,417.13	1,506,559.70

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FREDDIE MAC GLOBAL NOTES DTD 10/02/2012 1.250% 10/02/2019	3137EADM8	2,570,000.00	AA+	Aaa	9/1/2017	9/7/2017	2,560,696.60	1.43	7,942.01	2,566,588.58	2,543,444.19
FHLB NOTES DTD 11/17/2016 1.375% 11/15/2019	3130AA3R7	1,515,000.00	AA+	Aaa	9/1/2017	9/7/2017	1,513,303.20	1.43	2,661.77	1,514,321.30	1,498,598.61
FREDDIE MAC NOTES DTD 01/17/2017 1.500% 01/17/2020	3137EAEE5	6,270,000.00	AA+	Aaa	9/1/2017	9/7/2017	6,277,398.60	1.45	42,845.00	6,273,318.65	6,199,669.41
FHLMC AGENCY NOTES DTD 04/20/2017 1.375% 04/20/2020	3137EAEF2	2,500,000.00	AA+	Aaa	9/1/2017	9/7/2017	2,494,225.00	1.47	6,779.51	2,497,106.90	2,462,155.00
FNMA BENCHMARK NOTES DTD 04/27/2015 1.500% 06/22/2020	3135G0D75	2,480,000.00	AA+	Aaa	9/1/2017	9/7/2017	2,483,521.60	1.45	930.00	2,481,886.91	2,443,720.08
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	2,480,000.00	AA+	Aaa	9/1/2017	9/7/2017	2,480,173.60	1.50	15,603.33	2,480,101.53	2,438,993.20
Security Type Sub-Total		29,185,000.00					29,135,864.40	1.41	106,692.22	29,169,508.41	28,863,907.07
Corporate Note											
EXXON MOBIL CORP NOTES DTD 03/03/2016 1.708% 03/01/2019	30231GAP7	1,050,000.00	AA+	Aaa	9/5/2017	9/8/2017	1,053,643.50	1.47	5,978.00	1,050,413.24	1,048,129.95
CISCO SYSTEMS INC CORP NOTES DTD 09/20/2016 1.400% 09/20/2019	17275RBG6	1,050,000.00	AA-	A1	9/1/2017	9/7/2017	1,045,558.50	1.61	4,124.17	1,048,415.80	1,040,580.45
CHEVRON CORP (CALLABLE) NOTE DTD 11/18/2014 2.193% 11/15/2019	166764AN0	1,050,000.00	AA	Aa2	9/1/2017	9/7/2017	1,062,358.50	1.64	2,942.28	1,054,684.34	1,044,881.25
APPLE INC BONDS DTD 02/09/2015 1.550% 02/07/2020	037833AX8	1,050,000.00	AA+	Aa1	9/1/2017	9/7/2017	1,047,637.50	1.65	6,419.58	1,048,915.59	1,037,286.60
MICROSOFT CORP (CALLABLE) NOTE DTD 02/12/2015 1.850% 02/12/2020	594918AY0	1,050,000.00	AAA	Aaa	9/1/2017	9/7/2017	1,055,901.00	1.61	7,500.21	1,052,622.31	1,041,067.65
Security Type Sub-Total		5,250,000.00					5,265,099.00	1.60	26,964.24	5,255,051.28	5,211,945.90
Commercial Paper											

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Commercial Paper											
MUFG BANK LTD/NY COMM PAPER DTD 11/07/2018 0.000% 02/06/2019	62479MP64	1,070,000.00	A-1	P-1	11/7/2018	11/8/2018	1,063,045.00	2.62	0.00	1,067,218.00	1,067,178.41
TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 07/13/2018 0.000% 02/25/2019	89233HPR9	1,500,000.00	A-1+	P-1	10/26/2018	10/29/2018	1,487,405.83	2.56	0.00	1,494,179.16	1,494,019.50
Security Type Sub-Total		2,570,000.00					2,550,450.83	2.58	0.00	2,561,397.16	2,561,197.91
Managed Account Sub Total		49,910,000.00					49,846,634.58	1.58	141,716.62	49,882,908.05	49,402,286.19
Securities Sub-Total		\$49,910,000.00					\$49,846,634.58	1.58%	\$141,716.62	\$49,882,908.05	\$49,402,286.19
Accrued Interest											\$141,716.62
Total Investments											\$49,544,002.81

Bolded items are forward settling trades.

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY N/B NOTES DTD 10/02/2017 1.375% 09/30/2019	912828X7	645,000.00	AA+	Aaa	3/27/2018	3/29/2018	636,912.30	2.23	2,265.92	640,970.58	639,028.59
US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	530,000.00	AA+	Aaa	3/27/2018	3/29/2018	519,917.58	2.31	1,248.14	523,534.28	521,842.77
US TREASURY NOTES DTD 06/01/2015 1.500% 05/31/2020	912828XE5	525,000.00	AA+	Aaa	3/27/2018	3/29/2018	515,956.05	2.32	692.31	519,076.86	517,288.80
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	900,000.00	AA+	Aaa	3/27/2018	3/29/2018	886,394.53	2.32	40.40	890,902.51	887,835.60
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	1,265,000.00	AA+	Aaa	3/27/2018	3/29/2018	1,244,888.48	2.33	8,602.34	1,251,315.08	1,247,062.30
US TREASURY NOTES DTD 08/31/2015 1.375% 08/31/2020	912828L32	1,625,000.00	AA+	Aaa	3/27/2018	3/29/2018	1,588,183.59	2.34	7,591.94	1,599,547.45	1,594,341.13
US TREASURY NOTES DTD 09/30/2015 1.375% 09/30/2020	912828L65	1,260,000.00	AA+	Aaa	3/27/2018	3/29/2018	1,230,468.75	2.34	4,426.44	1,239,265.50	1,235,243.52
US TREASURY NOTES DTD 10/31/2015 1.375% 10/31/2020	912828L99	840,000.00	AA+	Aaa	3/27/2018	3/29/2018	819,360.94	2.36	1,978.18	825,297.68	822,937.92
US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	1,200,000.00	AA+	Aaa	3/27/2018	3/29/2018	1,177,312.50	2.36	1,714.29	1,183,640.10	1,180,219.20
US TREASURY NOTES DTD 12/31/2013 2.375% 12/31/2020	912828A83	1,195,000.00	AA+	Aaa	3/27/2018	3/29/2018	1,195,513.48	2.36	78.40	1,195,390.47	1,192,338.74
US TREASURY NOTES DTD 01/31/2016 1.375% 01/31/2021	912828N89	310,000.00	AA+	Aaa	3/27/2018	3/29/2018	301,499.22	2.38	1,783.76	303,722.58	302,891.70
Security Type Sub-Total		10,295,000.00					10,116,407.42	2.33	30,422.12	10,172,663.09	10,141,030.27
U.S. Treasury Bill											
US TREASURY BILL DTD 07/19/2018 0.000% 01/17/2019	912796QT9	550,000.00	A-1+	P-1	10/5/2018	10/9/2018	546,661.81	2.20	0.00	549,465.89	549,476.40
UNITED STATES TREASURY BILL DTD 08/23/2018 0.000% 02/21/2019	912796QY8	920,000.00	A-1+	P-1	11/27/2018	11/29/2018	914,941.38	2.37	0.00	916,928.70	916,981.48

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		1,470,000.00					1,461,603.19	2.31	0.00	1,466,394.59	1,466,457.88
Corporate Note											
THE PROCTER & GAMBLE CO CORP NOTES DTD 10/25/2017 1.750% 10/25/2019	742718EZ8	370,000.00	AA-	Aa3	3/27/2018	3/29/2018	366,522.00	2.36	1,187.08	368,180.13	366,874.61
PFIZER INC CORP NOTE DTD 11/21/2016 1.700% 12/15/2019	717081EB5	320,000.00	AA	A1	3/27/2018	3/29/2018	316,089.60	2.43	241.78	317,799.16	316,912.00
TOYOTA MOTOR CREDIT CORP DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	370,000.00	AA-	Aa3	3/27/2018	3/29/2018	363,991.20	2.77	1,483.08	366,170.34	365,404.60
APPLE INC BONDS DTD 05/11/2017 1.800% 05/11/2020	037833CS7	375,000.00	AA+	Aa1	3/27/2018	3/29/2018	369,191.25	2.56	937.50	371,233.20	370,276.13
WAL MART STORES INC. CORP NOTES DTD 07/08/2010 3.625% 07/08/2020	931142CU5	360,000.00	AA	Aa2	3/27/2018	3/29/2018	368,956.80	2.49	6,271.25	366,044.22	363,624.84
JOHNSON & JOHNSON GLOBAL NOTES DTD 08/17/2010 2.950% 09/01/2020	478160AW4	365,000.00	AAA	Aaa	3/27/2018	3/29/2018	369,142.75	2.46	3,589.17	367,878.64	365,911.41
MICROSOFT CORP NOTES DTD 09/27/2010 3.000% 10/01/2020	594918AH7	360,000.00	AAA	Aaa	3/27/2018	3/29/2018	363,524.40	2.59	2,700.00	362,484.62	362,433.96
Security Type Sub-Total		2,520,000.00					2,517,418.00	2.53	16,409.86	2,519,790.31	2,511,437.55
Commercial Paper											
BNP PARIBAS NY BRANCH COMM PAPER DTD 09/17/2018 0.000% 03/18/2019	09659CQJ0	500,000.00	A-1	P-1	12/18/2018	12/19/2018	496,699.58	2.69	0.00	497,181.67	497,153.00
MUFG BANK LTD/NY COMM PAPER DTD 10/17/2018 0.000% 04/17/2019	62479MRH8	750,000.00	A-1	P-1	12/18/2018	12/19/2018	743,083.13	2.82	0.00	743,838.75	743,718.00
TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 07/23/2018 0.000% 04/18/2019	89233HRJ5	400,000.00	A-1+	P-1	12/18/2018	12/19/2018	396,293.33	2.81	0.00	396,694.89	396,644.80

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		1,650,000.00					1,636,076.04	2.77	0.00	1,637,715.31	1,637,515.80
Managed Account Sub Total		15,935,000.00					15,731,504.65	2.41	46,831.98	15,796,563.30	15,756,441.50
Securities Sub-Total		\$15,935,000.00					\$15,731,504.65	2.41%	\$46,831.98	\$15,796,563.30	\$15,756,441.50
Accrued Interest											\$46,831.98
Total Investments											\$15,803,273.48

Bolded items are forward settling trades.

IMPORTANT DISCLOSURES

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

GLOSSARY

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

FOR COMMITTEE MEETING OF: February 11, 2019
AGENDA ITEM NO.: 5b

TO: SALEM CITY COUNCIL FINANCE COMMITTEE

FROM: DAVID LACY, FINANCIAL OPERATIONS MANAGER

SUBJECT: 2019 FINANCE COMMITTEE WORK PLAN

ISSUE:

Discussion of Finance Committee Work Plan to align Council/Committee priorities and timing with staff resources.

RECOMMENDATION:

Information only.

SUMMARY AND BACKGROUND:

The City Council Finance Committee was established in 2008, per Council Resolution 2008-8 (Attachment 1). Section 2 discusses Committee membership, which includes three sitting Councilors and the Mayor. Section 4 discusses matters to be referred to the Committee, including:

- The annual financial audit and management response;
- Financial policies recommended for Council adoption;
- Five-year forecast revenue and expenditure assumptions;
- Recommendations on the integration of Council goals with the City's financial plan;
- Recommendations on the development of, and updates to, a long-range financial strategy to ensure sustainable community services; and
- Recommendations on other matters concerning City financial planning.

In addition to the items described in the resolution, Council Policy C-7 establishes the Finance Committee as the body to receive and review the quarterly investment reports. Other informational items that the Committee has reviewed recently include: property taxes, PERS rates and updates, transient occupancy tax, debt issuances, and long-term bonding analysis.

FACTS AND FINDINGS:

Finance Committee meetings generally occur on the third Monday of each month at noon, depending on need and scheduled topics. In addition to regularly scheduled items, the City Council referred three items to the Committee during their January 23, 2019 Policy Agenda work session. Those topics include the long-term bonding strategy, discussion on the Hillcrest site, and additional information regarding a Tourism Promotional Area.

Establishing a work plan will allow the Committee to prioritize topics and determine if a meeting is needed, and help staff plan resources accordingly. A potential work plan is provided below:

Date	Agenda Items
February 11, 2019	Building and Safety Fund Balance Policy, Quarterly Investment Report, Finance Committee Work Plan
March 18, 2019	<i>Potential Item – Tourism Promotional Area</i>
April 15, 2019	<i>Potential Item – Long-Term Bonding Strategy</i>
May 20, 2019	Quarterly Investment Report
June 17, 2019	<i>Potential Item – Hillcrest Site</i>
July 15, 2019	<i>Potential Item – Policy C-2 (Debt Policy) Review for Updates to Continuing Disclosure Requirements</i>
August 19, 2019	Quarterly Investment Report and Annual Investment Presentation by PFM
September 16, 2019	TBD
October 21, 2019	TBD
November 18, 2019	Quarterly Investment Report
December 9, 2019	Annual Audit Review and Discussion

This listing provides a sample of known topics and potential dates based on where regularly scheduled items will appear. Additional topics can be added based on Committee preferences, as well as scheduling multiple topics for meetings.

David Lacy
Financial Operations Manager

Attachments:

1. Resolution No. 2008-8 Establishment of Finance Committee

Resolution 2008-8

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALEM, ESTABLISHING THE SALEM CITY COUNCIL FINANCE COMMITTEE AND MAKING PROVISION THEREFOR

Whereas, the City Council of the City of Salem has adopted financial policies for debt and investments, but has not yet adopted a comprehensive set of financial policies to guide financial planning and management; and

Whereas, financial policies are necessary to provide guidance to the City Council and City Staff in the preparation of financial forecasts and budgets, to thereby ensure the City has the capacity to provide services and to sustain appropriate and necessary levels of service into the future; and

Whereas, Rule 1 of the City Council Rules adopt Robert's Rules of Order as the rules for its proceedings, unless Council Rules or other law provide for another procedure; and

Whereas, Rule 50 of Robert's Rules provide that standing committees "must be constituted by name (a) by a specific provision of the bylaws or (b) by a resolution . . . if all business of a certain class is to be automatically referred to the committee"; and

Whereas, the City Council deems it necessary and proper, and in the public interest, to establish a standing committee of the City Council, to be known as the "Salem City Council Finance Committee," to advise the City Council and City Manager on financial policy, planning and management issues;

Now, therefore, the City Council of the City of Salem resolves as follows:

Section 1. Establishment. There is hereby established a standing subcommittee of the City Council of the City of Salem, to be known as the "Salem City Council Finance Committee."

Section 2. Membership. The Salem City Council Finance Committee shall be comprised of three sitting City Councilors and the Mayor. The City Council members shall be appointed by the Mayor.

Section 3. Rules. The Salem City Council Finance Committee shall select a chairperson, and shall adopt rules of procedure to govern its meetings. The rules of procedure shall provide that the chairperson or the City Manager may call a meeting of the Committee.

Section 4. Matters to be Considered by the Salem City Council Finance Committee.

(a) The following matters shall be referred to the Salem City Council Finance Committee without further action by the City Council as a whole or the City Manager, for its review and recommendation:

(1) The annual financial audit, management letter and City Manager's response;

(2) Financial policies recommended by the City Manager or the City Council for adoption; and

(3) Revenue and expenditure assumptions contained in the Five-Year Financial Forecast.

(b) The Salem City Council Finance Committee may provide advice and provide recommendations to the City Council as a whole or to the City Manager, on the following matters:

(1) Integration of the Council Goals with the City's financial plan;

(2) Development of, and updates to, a long-range financial strategy to ensure the provision of sustainable community services; and

(3) Any other matter concerning the City's financial planning referred by the City Council as a whole or by the City Manager.

Section 5. Effective Date. This resolution is effective upon adoption.


ADOPTED by the Council this 11th day of February, 2008.

ATTEST:



City Recorder

Approved by City Attorney:



Checked by: T. Mounts

G:\GROUP\LEGAL1\Council\021108 Finance Committee reso Rev.wpd

RESOLUTION NO. 2008-8

Establishing the Finance Committee as a Standing Committee of the City Council

Filed: February 6, 2008

Effective: February 11, 2008

Passed: February 11, 2008

Comments:
Copy to Tony Mounts - AS

Superseding:		Superseded by:	

Council Vote	Yes	No
Mayor Taylor	X	
Bennett (Ward 1)	X	
Tesler (Ward 2)	X	
Nanke (Ward 3)	X	
Sullivan (Ward 4)	X	
Tarter (Ward 5)	Ab	
Rogers (Ward 6)	X	
DeHart (Ward 7)	X	
Clem (Ward 8)	X	

* Ab = Absent

TO: MAYOR AND CITY COUNCIL
THROUGH: *Linda Norris*
LINDA NORRIS, INTERIM CITY MANAGER
FROM: TONY MOUNTS, ADMINISTRATIVE SERVICES DIRECTOR *in absence of Tony Mounts*
SUBJECT: ESTABLISHING A COUNCIL FINANCE COMMITTEE

ISSUE:

Shall the City Council adopt Resolution No. 2008-8, establishing a standing committee of the City Council, to be known as the "Salem City Council Finance Committee," to advise the City Council and City Manager on financial policy, planning and management issues?

RECOMMENDATION:

The City Council adopt Resolution No. 2008-8, establishing a standing committee of the City Council, to be known as the "Salem City Council Finance Committee," to advise the City Council and City Manager on financial policy, planning and management issues.

BACKGROUND:

The City Council's Audit Committee was formed over 20 years ago to receive and consider the results of the City's annual financial audit. The Committee met 1-2 times per year for this purpose. In December 2007, the Mayor proposed to reorient the Committee to encompass a broader range of financial issues. The Committee was renamed as the Finance Committee with the Mayor, and three councilors as members.

Pursuant to the Council's rules, a standing committee must be established by resolution and must be approved by 2/3 vote of the City Council.

FACTS AND FINDINGS:

The proposed role for the Finance Committee consists of:

- Review and recommendation of financial policies for Council adoption;
- Review of the annual financial audit, management letter and City management's response;

FEB 11 2008

*Approved with
amendment*

AS

- Review of revenue and expenditure assumptions contained in the Five-Year Financial Forecast;
- Advice to the City Council and Manager on integration of the Council Goals with the City's financial plan;
- Advice to the City Council and Manager on development and update of a City long-range financial strategy to ensure sustainable community services.

It is recommended that the first two items be automatically referred to the proposed standing committee, and that the standing committee be given discretion to provide advice to the City Council on the last three items. Resolution 2008-8, if adopted, will establish the Salem City Council Finance Committee and defines its membership and scope of activity.