



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

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**CITY OF SALEM
FINANCE COMMITTEE**

Committee Members

Councilor Brad Nanke, Chair
Mayor Chuck Bennett
Councilor Matthew Ausec
Councilor Steve McCoid

City Staff

Steve Powers, City Manager
Kacey Duncan, Deputy 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: August 20, 2018

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MEETING AGENDA

Monday July 16, 2018

12:00 PM-1:00 PM

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

1. Call to Order
2. Approval of Minutes
 - a. March 19, 2018
3. Public Comment
(Appearance of persons wishing to address the Committee on any matter other than those which appear on this Agenda.)
4. Management Update/Information Items
 - a. Pre Audit Update
 - b. Moody's Article on Water Advisory
 - c. Quarterly Investment Report
 - d. PERS Update
5. Continued Business
6. New Business
7. Adjournment

City of Salem Finance Committee Minutes

DATE: March 19, 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:

Staff Present:

Steve Powers, City Manager
Kacey Duncan, Deputy City Manager
Dan Atchison, City Attorney
Brian Martin, City Engineer
Alicia Blalock, PW Administration Division Manager
Kelley Jacobs, Budget Officer
David Lacy, Financial Operations Manager
Tony Turley, Financial Reporting Manager
Anja Straw, Treasury Supervisor
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. December 11, 2017
 - b. February 26, 2018
3. ITEMS REQUIRING ACTION
 - a. Motion made by Chair Nanke to approve revisions to Council Policy C-7 as described by staff and move to full Council for vote.

Motion carried by the following vote:

Aye: 3-Nanke, Ausec and McCoid

Nay: 0

Absent: 1-Bennett

Abstain: 0

4. MANAGEMENT UPDATE / INFORMATION ITEMS
 - a. Committee heard update on CIP including preliminary data for the 5 year forecast and impact on budget.
 - b. Staff provided an update on Transient Occupancy Tax including the voluntary collection agreement with AirBnB.
 - c. Quarterly Investment Report as of December, 2017 presented.
 - d. Moody's report on state capital cities presented.
5. ADJOURNMENT: 12:58 PM
The next meeting is Monday, July 16, 2018 at noon.

FOR COMMITTEE MEETING OF: July 16, 2018
AGENDA ITEM NO.: 4a

TO: SALEM CITY COUNCIL FINANCE COMMITTEE
THROUGH: KACEY DUNCAN, DEPUTY CITY MANAGER
SUBJECT: UPDATE ON THE LETTERS RECEIVED FROM THE OREGON
AUDITS DIVISION.

ISSUE:

To present information regarding two letters received from the Oregon Audits Division related to the City's Comprehensive Annual Financial Report (CAFR) and the Urban Renewal Agency's Annual Financial Report for fiscal year end June 30, 2017.

RECOMMENDATION:

Information Only.

SUMMARY AND BACKGROUND:

The Oregon Audits Division completed a review of the City's Comprehensive Annual Financial Report (CAFR) and the Urban Renewal Agency (URA) Financial Report. The City received the results of their review in letters dated April 30, 2018. The letters addressed to the Mayor and City Council identify items that need to be corrected for future reports. This information report is to inform the Finance Committee of the corrective actions that the City's financial reporting team will take to address the concerns raised in the review.

FACTS AND FINDINGS:

In reviewing the City's CAFR first, the Audits Division indicated that we need to have the mailing addresses for City officials on page 9 of the report. Although we do have the City office address on the page, we did not indicate that all correspondence for City officials should be mailed to this address. We will clearly indicate in all future reports that the City's mailing address is the proper mailing address for all officials. This item was also suggested for the URA Financial Report and will be similarly remedied.

The second item identified relates to System Development Charges (SDC) in the Utility fund. We have listed these as deferred assessments on the financial statements. The Audits Division correctly indicates that with the adoption of GASB 65 the term "deferred" has a specific meaning. We will be changing the line item to read "Assessments Receivable" in order to be in compliance with GASB recommendations.

The final item listed for the City CAFR relates to the Public Employee Retirement System (PERS) rates in the notes to the financial statements. The CAFR has the combined rates for PERS and Retirement Health Insurance Account (RHIA). The rates in the PERS footnote should not include the RHIA portion of the rate. This correction will be made for all future financial reports.

The letter for the URA has two items in addition to the mailing address for the officials noted above. The first one is in relation to transfers within the URA. We failed to disclose the purpose of these transfers. This oversight will be corrected by including a footnote describing the purpose of the transfers.

The last correction required in the letters relates to unused marketing money given to the Salem Convention Center during the year. The agreement with the Convention Center requires the unused portion of marketing money be returned to the City at the end of the fiscal year. The City records this as a "Due to The City of Salem" notation on the financial statements. We failed to show this payable in the Short Term Debt note to the financial statement. This oversight will be corrected in future financial reports for the URA.

The Financial Division concurs with the recommended changes by the Oregon Audits Division and will make the corrections outlined above for all future reporting periods.

Tony Turley
Financial Reporting manager

Attachments:

1. Letters from the Oregon Audits Division.

July 11, 2018

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

April 30, 2018

Mayor and City Council
City of Salem
555 Liberty St SE, Room 230
Salem, OR 97301-3513

We have reviewed the audit report of the City of Salem for the period July 1, 2016, through June 30, 2017, in accordance with the provisions of ORS 297.465(3).

Our review disclosed the following issues that should be corrected in future reporting to ensure future reports are accurate, clear, and better comply with generally accepted accounting and reporting standards.

1. The list of officials (p. 9) includes the names of the city council members; however, their mailing addresses are not included as required (OAR 162-010-0020(10)).
2. The government-wide statement of net position (p. 33) and the proprietary funds statement of net position (p. 50) present *deferred assessments* as an asset. Given the implementation of GASB Statement No. 65, the use of the term *deferred* is limited to items classified as *deferred inflows* or *deferred outflows of resources*. Consider whether this balance is an appropriately named asset or should be reclassified as a *deferred outflow of resources*.
3. The PERS note discloses employer contribution rates of 15.82%, 8.62%, and 12.73%. However, these rates include portions for RHIA benefits (.53% PERS, .45% OPSRP). The rates for the PERS note should only include the pension portion of the rate (15.29%, 8.17%, and 12.28%). The RHIA rates are separately disclosed in the OPEB note. Copies of the July 1, 2015 contributions rates (in use during FY17) can be found at:
<http://www.oregon.gov/pers/EMP/Documents/Contribution-Rates/Employer-Rates-Breakdown-11-25-15.pdf>

We appreciate your efforts in fulfilling the reporting requirements of Municipal Audit Law. If you have any questions or concerns, please call me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Amy Dale, CPA
Audit Manager

cc: Grove, Mueller & Swank, P.C.

Distribution:

Mayor and all
Councilors

Racey Duncan,
Deputy City Mgr.

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

April 30, 2018

Mayor and City Council
Urban Renewal Agency of the City of Salem
555 Liberty St SE, Room 230
Salem, OR 97301-3513

We have reviewed the audit report of the Urban Renewal Agency of the City of Salem ("agency") for the period July 1, 2016, through June 30, 2017, in accordance with the provisions of ORS 297.465(3).

Our review disclosed the following issues that either should be corrected in future reporting or are matters of lesser significance management may wish to consider to ensure future reports are accurate, clear, and better comply with generally accepted accounting and reporting standards.

The following items should be corrected for future reporting:

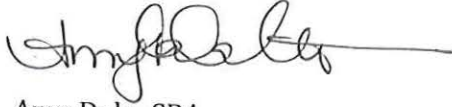
1. The list of officials (p. 1) includes the names of the city council members; however, their mailing addresses are not included as required (OAR 162-010-0020(10)).
2. The basic financial statements report interfund transfers (p. 26) without disclosing the purpose of those transfers as required (GASB Codification (June 30, 2016) §2300.127).
3. The short term debt note (p. 41) doesn't agree to the financial statements. It excludes \$7,394 due to the City of Salem shown on the statement of net position (p. 23).

We also noted other matters management may wish to consider to ensure future reports are accurate and clear, and better comply with generally accepted accounting and reporting standards:

- The financial statements indicate the agency is a component unit. Consider defining the term "component unit" in the Reporting Entity section of the notes for clarity (GASB 2600.127).
- There is disagreement within the notes for the agency's definition of "available". The summary of significant accounting policies (p. 34) defines available as collectible within 60 days (no exceptions listed). However, another section describes property taxes as available if collected within 30 days (p. 36).

We appreciate your efforts in fulfilling the reporting requirements of Municipal Audit Law. If you have any questions or concerns, please call me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION



Amy Dale, CPA
Audit Manager

cc: Grove, Mueller & Swank, P.C.

Distribution:

Mayor and all
Councilors

Racey Duncan,
Deputy City Mgr.

ISSUER COMMENT

18 June 2018



 What is [Moody's Credit Outlook](#)?

Published every Monday and Thursday morning, Moody's Credit Outlook informs our research clients of the credit implications of current events.

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EMEA	44-20-7772-5454

City of Salem, OR

Salem, Oregon's water advisories are credit negative, but affordable treatment plan largely mitigates risk

 From [Credit Outlook](#)

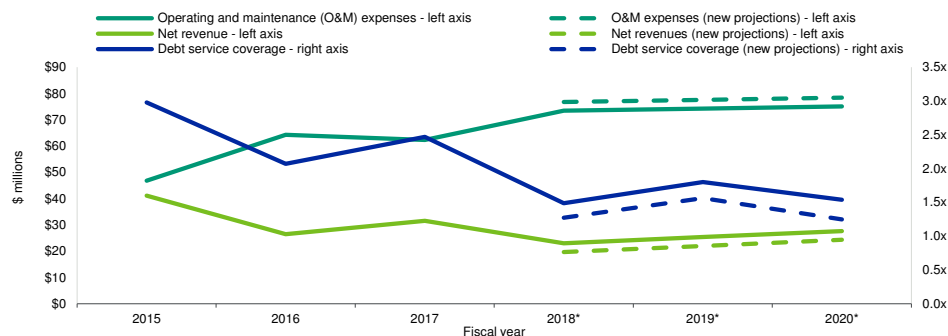
On 10 June, the [City of Salem, Oregon, Water & Sewer Enterprise](#) (Aa2) voluntarily extended a health advisory through 25 June because of the potential presence of cyanotoxins in water distributed to the system's customers. The [City of Salem](#) (Aa2) estimates that mitigating the contamination will increase the utility's operating costs by \$3-\$5 million over the next 18 months and involve up to \$30 million in additional capital spending, both of which are credit negative. However, the additional capital investments will enhance the system's resiliency to respond to future and long-term water quality risks.

This is the first time in [Oregon](#) (Aa1 stable) that cyanotoxins have been detected in drinking water and demonstrates the effects of changing environmental conditions on local governments. The cyanotoxins resulted from algae blooms in Detroit Lake, which is part of the city's watershed. Hot and dry weather, which the city and state attribute to climate change, drove the severity of the algae bloom.

The unplanned spending through at least the next 18 months will raise operating and maintenance expenses by up to 5% (see exhibit). Based on consistently conservative budgeted projections, the additional expenses will reduce net revenue and debt service coverage by 17%, not including non-operating revenue.

Exhibit 1

Salem's mitigation of potential water contamination will raise operating and maintenance expenses and lower net revenue



* Data for fiscal 2018 through 2020 (fiscal years end 30 June) are based on city budgets and Moody's projections.
 Sources: *City of Salem, Oregon, and Moody's Investors Service*

Starting on 25 June, the city will deploy a new filtration process that it estimates will cost \$2 million per year, the largest single additional cost in managing the cyanotoxin exposure. Over the next two years, initial city estimates include an additional \$20-\$30 million of capital expenses, funded primarily with revenue bonds and some reserve funds. Although the utility's debt burden will rise with this plan, rapid payout on existing debt and declining future debt service provide some additional debt capacity without degrading the system's credit profile. Considering the system's \$12 million of annual principal payments, a \$30 million bond issuance in two years would add a modest net \$6 million, or a 6% increase compared with the system's \$105 million of outstanding debt for fiscal 2018 (which ends 30 June).

City officials do not expect a substantial decline in revenue or water usage because of the advisories, in part because usage grew earlier in the fiscal year and the city expects to balance out any declines before the fiscal year-end on 30 June. Additionally, the advisories target vulnerable populations, including children under the age of six, adults over the age of 65 and individuals with compromised immune systems or other serious medical issues. The city expects to continue its long-term plan for 3% annual water rate increases.

The algae bloom's effect on Salem's drinking water is one example of how [changing climate conditions will increasingly challenge local governments](#) and escalate their vulnerability to unexpected costs and economic effects. Long-term climate change, including rising global temperatures, are forecast by the US National Climate Assessment to drive increased extreme weather patterns that may put negative credit pressure on some US issuers.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

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City of Salem

Quarterly Investment Report

Quarter Ended March 31, 2018

Lauren Brant, Managing Director

Allison Kaune, Senior Managing Consultant

Colin Donahue, Senior Analyst

PFM Asset
Management LLC

650 NE Holladay St.
Ste. 1600
Portland, OR 97232

503-837-8445
503-837-8446 fax
www.pfm.com



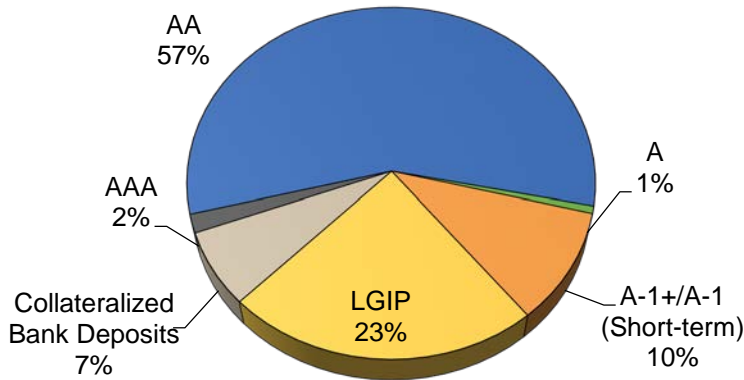
City of Salem

Summary by Sector	Amortized Cost	Market ¹ Value	% of Portfolio	Allowed by Policy
U.S. Treasuries	\$107,131,656	\$106,467,581	29%	100%
Federal Agencies	84,011,283	82,868,293	22%	100%
U.S. Instrumentalities	2,729,612	2,690,704	1%	10%
Commercial Paper	38,456,731	38,424,231	10%	35%
Corporate Notes	28,666,324	28,388,010	8%	
LGIP	86,812,872	86,812,872	23%	ORS limit
Collateralized Deposit Accounts	25,727,306	25,727,306	7%	100%
Total	\$373,535,784	\$371,378,997	100%	

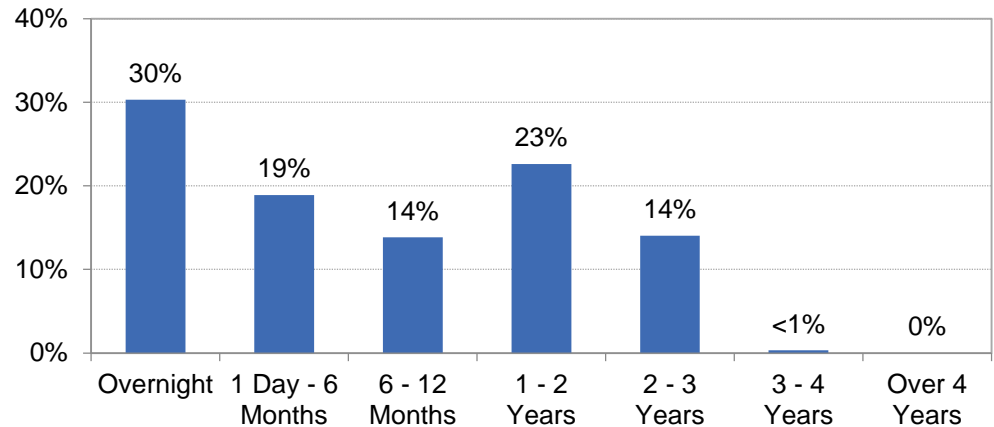
Combined Portfolio Statistics	
Combined Portfolio Yield on Cost (3/31/18)	1.56%
Weighted Average Maturity (3/31/18)	0.83 years

Combined Portfolio Earnings (excludes earnings on LGIP and deposit accounts)	
Cash Basis Earnings for Quarter	\$719,053
Accrual Basis Earnings for Quarter	\$858,270

Credit Quality Distribution²



Combined Portfolio Maturity Distribution³

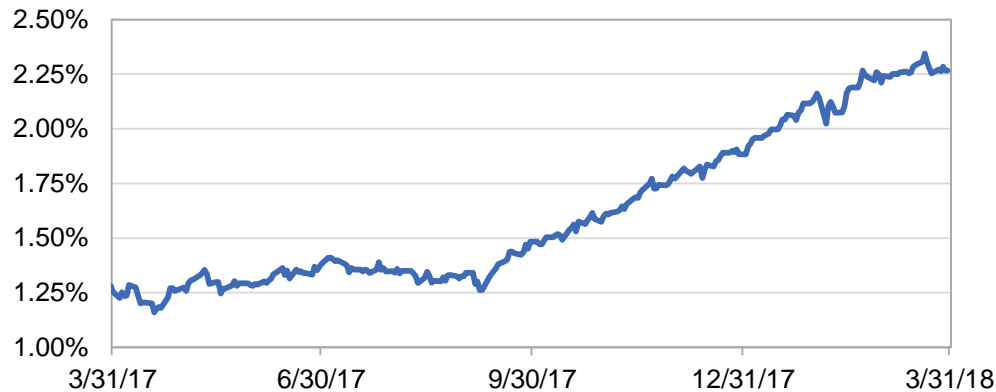


1. Values as of 3/31/18 including accrued interest. Tables and charts include the Long Term, Short-Term, Streets & Bridges, Police Facility, and Library Project portfolios, unless otherwise noted.
 2. Ratings by Standard & Poor's (S&P). Securities rated A by S&P are rated AA- or the equivalent or better by at least one nationally recognized statistical rating organization and in compliance with the City's investment policy and Oregon Revised Statutes.
 3. Callable securities are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.



Interest Rate Environment

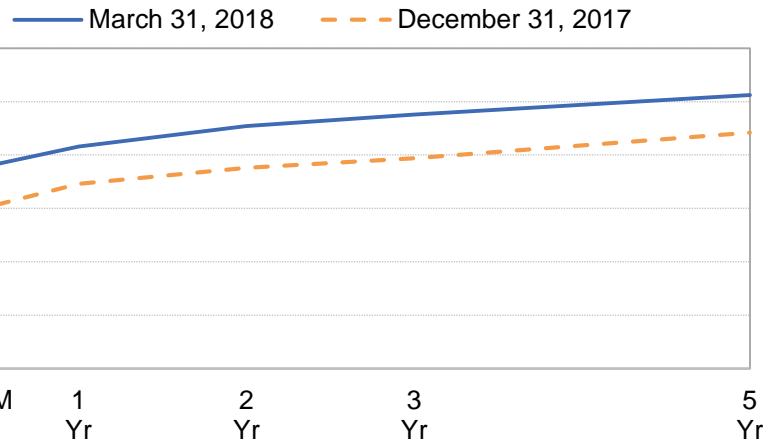
Graph 1: 2-Year U.S. Treasury Yield



● **Graph 1:** Graph 1 plots the 2-year U.S. Treasury Yield from March 31, 2017, to March 31, 2018.

- The 2-year Treasury note yield ended the most recent quarter at 2.26%, moving 38 basis points (0.38%) higher over the quarter.
- Federal Reserve (Fed) policy continued to drive short-term rates higher as the Fed raised the target rate by 0.25% during the quarter.

**Graph 2: U.S. Treasury Yield Curves
12/31/17 vs. 3/31/18**



● **Graph 2:** Graph 2 plots the yields of U.S. Treasuries at different maturities on December 31, 2017, and March 31, 2018.

- Interest rates rose across the yield curve in an almost parallel fashion during the quarter.
- While the short end of the yield curve moved higher on Fed policy, the longer end of the curve felt upward pressure from increasing inflation expectations and expectations for continued economic growth.

Source: Bloomberg



City of Salem

Combined Portfolio Summary¹

	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Market Value (MV)	\$371,378,997	\$353,894,603	\$290,074,561	\$231,755,023
Amortized Cost	\$373,535,784	\$355,430,199	\$290,771,327	\$232,312,932

Quarterly Summary	Quarter Ending March 31, 2018
Beginning MV	\$353,894,603
Change in Cash	\$17,883,595
Change in MV	(\$399,200)
Ending MV	\$371,378,997

PORTFOLIO RECAP

- The portfolio is in compliance with applicable state statutes and the City’s Investment Policy C-7.
- The portfolio has sufficient liquidity to cover upcoming needs, is diversified among high-quality fixed income sectors, and is of high credit quality.
- The Fed remained true to its stated course, raising short-term rates by ¼ percent in March, and interest rates continued their ascent over the quarter. Rates moved higher across the yield curve: 3-month Treasury yields were up 32 basis points (0.32%), 2-year Treasury yields up 39 basis points, 5-year Treasury yields up 35 basis points, and 10 year Treasury yields up 33 basis points. The continued march higher in rates resulted in negative returns for most bond indices, with longer maturities performing worst.
- Although federal agency index returns were also negative, they generated slightly positive excess returns (returns in excess of similar duration Treasuries) as their modest incremental income was a slight benefit.
- After tightening for several consecutive quarters, generating strong historical performance, investment-grade corporate yield spreads reached new decade lows during the quarter. But, that trend reversed somewhat dramatically in late February and March, as equity market volatility spilled over into the fixed-income markets. Sharply wider yield spreads by quarter-end resulted in the corporate sector being one of the worst performing fixed-income sectors in the first quarter. Despite the poor quarter, trailing returns over longer time periods remain strong, and the underlying strength of corporate fundamentals remains intact. The spread widening presents a buying opportunity to purchase corporates at higher yields.
- For the quarter ended March 31, 2018, the City’s Long-Term portfolio outperformed its benchmark, the Bank of America/Merrill Lynch 1-3 Year Treasury index, by 15 basis points (0.15%). Outperformance was primarily due to the portfolio’s shorter, more conservative duration position. While rising interest detract from the portfolio’s total return, securities are reinvested at higher yields and the City’s realized interest earnings will continue to increase.

1. Values as of quarter end, including accrued interest. Values include Long-Term, Short-Term, Streets & Bridges, Police Facility, and Library Project portfolios.

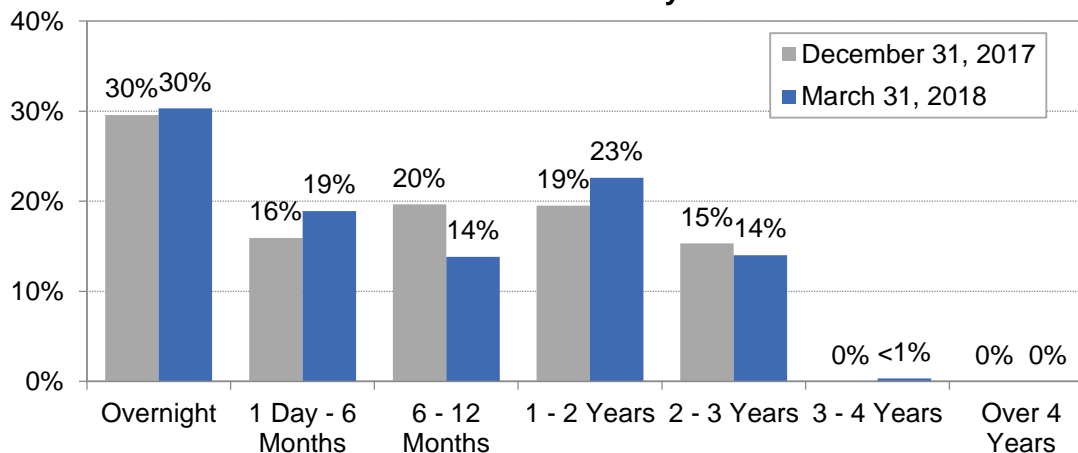


City of Salem

Combined Portfolio Change Over Quarter

Security Type	Change in Allocation
U.S. Treasuries	+1%
Federal Agencies	-1%
U.S. Instrumentalities	-
Commercial Paper	-1%
Corporate Notes	-
LGIP	-1%
Collateralized Deposit Accounts	+2%

Combined Portfolio Maturity Distribution



Portfolio and Benchmark Performance

Total Return ^{1,2,3,4,5}	Total Return for Quarter Ended March 31, 2018	Total Return for Past 1 Year	Total Return for Past 3 Years	Total Return Since Inception
City of Salem Long-Term Portfolio	0.02%	0.51%	0.59%	0.60%
BofA/ML U.S. Treasury Index	-0.13%	0.03%	0.29%	0.38%

Yield Comparison⁶

City of Salem Short-Term Portfolio	1.66%	City of Salem Police Facility Bonds Portfolio	1.49%	City of Salem Streets & Bridges Portfolio	1.73%
City of Salem Library Project Portfolio	2.33%	Oregon LGIP	2.10%		

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

2. Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets. Long-Term Portfolio benchmark was the BAML 0-3 Year U.S. Treasury index from inception through 6/30/2016 and the BAML 1-3 Year Treasury index beginning 6/30/16.

3. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis.

4. Inception date is December 31, 2012.

5. Excludes Streets & Bridges, Police Facility, and Short-Term Portfolio as well as LGIP and bank balances in the performance and duration calculations.

6. Yield at Cost for the City's Short-Term, Police Facility, Streets and Bridges and Library Project portfolios as of quarter end and Oregon LGIP rate as of quarter end.



City of Salem

Combined Portfolio Transactions¹

Trade Date	Trade Type	Security	Maturity Date	Broker	Par Value	Yield to Maturity	S&P Rating
1/8/18	Buy	US TREASURY NOTES	1/31/2021	Barclays	5,000,000	2.09%	AA+
1/8/18	Sell	US TREASURY NOTES	4/30/2018	Merrill Lynch (Bank of America)	4,750,000	1.45%	AA+
1/8/18	Sell	US TREASURY NOTES	4/30/2018	Merrill Lynch (Bank of America)	5,500,000	1.45%	AA+
1/8/18	Buy	US TREASURY NOTES	11/30/2020	Merrill Lynch (Bank of America)	5,350,000	2.07%	AA+
1/10/18	Maturity	BANK OF TOKYO MITSUBISHI LTD CP	1/10/2018	Maturity	675,000	-	A-1
1/10/18	Buy	MUFG BANK LTD/NY COMM PAPER	4/9/2018	Bank of Toyota Mitsubishi (Direct)	930,000	1.73%	A-1
1/25/18	Call	WAL-MART STORES INC CORP NOTE	12/15/2018	-	1,050,000	1.95%	AA
1/26/18	Maturity	CREDIT AGRICOLE CIB NY CP	1/26/2018	Maturity	1,950,000	-	A-1
1/31/18	Buy	CREDIT AGRICOLE CIB NY CP	7/27/2018	Credit Agricole	1,500,000	1.90%	A-1
1/31/18	Buy	TOYOTA MOTOR CREDIT CORP CP	10/26/2018	Toyota Motor Corp	1,500,000	2.00%	A-1+
2/5/18	Maturity	TOYOTA MOTOR CREDIT CORP CP	2/5/2018	Maturity	1,070,000	-	A-1+
2/7/18	Buy	MUFG BANK LTD/NY COMM PAPER	8/7/2018	Bank of Toyota Mitsubishi (Direct)	1,070,000	2.00%	A-1
2/15/18	Maturity	UNITED STATES TREASURY BILL	2/15/2018	Maturity	2,630,000	-	A-1+
3/6/18	Maturity	EXXON MOBIL CORP NOTES	3/6/2018	Maturity	2,500,000	-	AA+
3/6/18	Buy	CISCO SYSTEMS INC CORP NOTES	2/28/2021	Goldman Sachs	1,250,000	2.86%	AA-

1. Does not include transactions in the LGIP and bank accounts.

Continued on next page



City of Salem

Combined Portfolio Transactions¹

Trade Date	Trade Type	Security	Maturity Date	Broker	Par Value	Yield to Maturity	S&P Rating
3/6/18	Buy	US TREASURY N/B	9/30/2021	Merrill Lynch (Bank of America)	1,250,000	2.53%	AA+
3/12/18	Maturity	JP MORGAN SECURITIES LLC CP	3/12/2018	Maturity	4,750,000	-	A-1
3/13/18	Buy	JP MORGAN SECURITIES LLC CP	8/31/2018	JP Morgan Securities, Inc.	4,750,000	2.26%	A-1
3/27/18	Buy	US TREASURY NOTES	9/30/2020	JP Morgan Securities, Inc.	1,260,000	2.34%	AA+
3/27/18	Buy	US TREASURY NOTES	10/31/2020	Morgan Stanley & Co. Inc.	840,000	2.36%	AA+
3/27/18	Buy	US TREASURY NOTES	11/30/2020	HSBC Securities (USA) Inc	1,200,000	2.36%	AA+
3/27/18	Buy	THE PROCTER & GAMBLE CO CORP NOTES	10/25/2019	BNP Paribas	370,000	2.36%	AA-
3/27/18	Buy	WAL MART STORES INC. CORP NOTES	7/8/2020	Morgan Stanley & Co. Inc.	360,000	2.49%	AA
3/27/18	Buy	TOYOTA MOTOR CREDIT CORP	4/17/2020	BNP Paribas	370,000	2.77%	AA-
3/27/18	Buy	US TREASURY N/B NOTES	9/30/2019	BNP Paribas	645,000	2.23%	AA+
3/27/18	Buy	US TREASURY NOTES	12/31/2020	Merrill Lynch (Bank of America)	1,195,000	2.36%	AA+
3/27/18	Buy	US TREASURY NOTES	4/30/2020	Citigroup	530,000	2.31%	AA+
3/27/18	Buy	US TREASURY NOTES	8/31/2020	Morgan Stanley & Co. Inc.	1,625,000	2.34%	AA+
3/27/18	Buy	US TREASURY NOTES	7/31/2020	Merrill Lynch (Bank of America)	1,265,000	2.33%	AA+
3/27/18	Buy	JOHNSON & JOHNSON GLOBAL NOTES	9/1/2020	BNP Paribas	365,000	2.46%	AAA

Continued on next page

1. Does not include transactions in the LGIP and bank accounts.



City of Salem

Combined Portfolio Transactions¹

Trade Date	Trade Type	Security	Maturity Date	Broker	Par Value	Yield to Maturity	S&P Rating
3/27/18	Buy	MICROSOFT CORP NOTES	10/1/2020	Morgan Stanley & Co. Inc.	360,000	2.59%	AAA
3/27/18	Buy	US TREASURY NOTES	1/31/2021	Merrill Lynch (Bank of America)	310,000	2.38%	AA+
3/27/18	Buy	PFIZER INC CORP NOTE	12/15/2019	Citigroup	320,000	2.43%	AA
3/27/18	Buy	US TREASURY NOTES	5/31/2018	Morgan Stanley & Co. Inc.	920,000	1.71%	AA+
3/27/18	Buy	US TREASURY NOTES	5/31/2020	BNP Paribas	525,000	2.32%	AA+
3/27/18	Buy	US TREASURY NOTES	6/30/2020	Credit Agricole	900,000	2.32%	AA+
3/27/18	Buy	APPLE INC BONDS	5/11/2020	BNP Paribas	375,000	2.56%	AA+
3/30/18	Maturity	BNP PARIBAS NY BRANCH COMM PAPER	3/30/2018	Maturity	1,000,000	-	A-1

1. Does not include transactions in the LGIP and bank accounts.



City of Salem

Combined Portfolio Holdings by Maturity

Issuer	CUSIP	Par Value ¹	Maturity Date	Call Date	S&P Rating	Market Value ²	Yield to Maturity ³
LGIP - City	-	45,673,108	-	-	-	45,673,108	2.10%
LGIP - URA	-	41,139,763	-	-	-	41,139,763	2.10%
U.S. Bank	-	25,727,306	-	-	-	25,727,306	0.50%
Bank of Tokyo Mitsubishi NY	06538CD99	930,000	4/9/2018	-	A-1	929,518	1.73%
JP Morgan Securities LLC	46640QE15	1,950,000	5/1/2018	-	A-1	1,946,445	1.51%
Toyota Motor Corp	89233HEE0	4,000,000	5/14/2018	-	A-1+	3,990,236	1.54%
Berkshire Hathaway Inc	084664BW0	3,000,000	5/15/2018	-	AA	3,010,542	1.07%
Bank of Tokyo Mitsubishi NY	06538CEM9	3,500,000	5/21/2018	-	A-1	3,489,567	1.59%
BNP Paribals NY	09659CEM6	3,500,000	5/21/2018	-	A-1	3,490,312	1.62%
Bank of Tokyo Mitsubishi NY	06538CER8	2,500,000	5/25/2018	-	A-1	2,491,905	1.55%
Bank of Tokyo Mitsubishi NY	06538CER8	1,950,000	5/25/2018	-	A-1	1,943,686	1.57%
BNP Paribals NY	09659CER5	1,950,000	5/25/2018	-	A-1	1,944,125	1.52%
Credit Agricole NY	22533UER0	2,500,000	5/25/2018	-	A-1	2,492,503	1.62%
GE Capital Treasury CP	36164KER8	2,000,000	5/25/2018	-	A-1	1,993,964	1.59%
BNP Paribals NY	09659CEW4	2,500,000	5/30/2018	-	A-1	2,491,648	1.51%
U.S. Treasury	912828R51	920,000	5/31/2018	-	AA+	921,449	1.71%
Credit Agricole NY	22533UF40	2,500,000	6/4/2018	-	A-1	2,490,798	1.68%
Credit Agricole NY	22533UGT4	1,500,000	7/27/2018	-	A-1	1,488,750	1.90%
Bank of Tokyo Mitsubishi NY	06538CH79	1,070,000	8/7/2018	-	A-1	1,060,792	2.00%
Federal Home Loan Bank	3130A8PK3	4,125,000	8/7/2018	-	AA+	4,109,645	0.73%
Federal Home Loan Bank	3130A8PK3	750,000	8/7/2018	-	AA+	747,208	0.81%
Berkshire Hathaway Inc	084664BY6	1,050,000	8/15/2018	-	AA	1,050,567	1.43%
JP Morgan Securities LLC	46640QH2	4,750,000	8/31/2018	-	A-1	4,700,714	2.26%
U.S. Treasury	912828L40	5,500,000	9/15/2018	-	AA+	5,480,843	1.61%
U.S. Treasury	912828L40	18,000,000	9/15/2018	-	AA+	17,937,305	1.61%
Federal Home Loan Bank	3130A9AE1	5,000,000	10/1/2018	-	AA+	4,993,860	0.91%
U.S. Treasury	912828L81	5,500,000	10/15/2018	-	AA+	5,489,773	1.62%

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1. End of quarter trade-data par values of portfolio holdings; rounded to nearest dollar.
2. End of quarter trade-data market values of portfolio holdings including accrued interest; rounded to nearest dollar.
3. LGIP yield is provided by OSTF website. U.S. Bank yield (before fees) is provided by the City.



City of Salem

Combined Portfolio Holdings by Maturity (continued)

Issuer	CUSIP	Par Value ¹	Maturity Date	Call Date	S&P Rating ⁴	Market Value ²	Yield to Maturity ³
Toyota Motor Credit CP	89233HKS2	1,500,000	10/26/2018		A-1+	1,479,270	2.00%
U.S. Treasury	912828T83	18,000,000	10/31/2018		AA+	17,930,127	1.65%
U.S. Treasury	912828WD8	3,700,000	10/31/2018		AA+	3,703,665	0.79%
Microsoft Corp	594918BF0	1,845,000	11/3/2018		AAA	1,844,910	1.33%
U.S. Treasury	912828A34	5,250,000	11/30/2018		AA+	5,245,540	0.85%
U.S. Treasury	912828N63	2,195,000	1/15/2019		AA+	2,183,551	1.04%
Wells Fargo & Co	94974BFQ8	2,500,000	1/15/2019		A-	2,500,337	1.31%
Federal National Mortgage Association	3135G0J53	5,000,000	2/26/2019		AA+	4,952,461	0.97%
Exxon Mobil Corp	30231GAP7	1,050,000	3/1/2019		AA+	1,045,773	1.47%
Federal Home Loan Mortgage Corporation	3137EADZ9	5,000,000	4/15/2019		AA+	4,972,683	0.96%
U.S. Treasury	912828D23	5,000,000	4/30/2019		AA+	5,005,796	0.91%
Inter-American Development Bank	458182DX7	1,750,000	5/13/2019		AAA	1,732,676	1.10%
Chevron Corp	166764BH2	2,000,000	5/16/2019		AA-	1,992,704	1.56%
Toyota Motor Credit Corp	89236TDE2	2,750,000	5/20/2019		AA-	2,727,701	1.45%
Federal Home Loan Bank	3130ABF92	2,390,000	5/28/2019		AA+	2,379,233	1.31%
Coca-Cola Co	191216BV1	1,335,000	5/30/2019		AA-	1,324,719	1.40%
Federal Home Loan Bank	3130A8DB6	5,000,000	6/21/2019		AA+	4,951,790	0.79%
Federal Home Loan Bank	3130A8DB6	2,365,000	6/21/2019		AA+	2,342,197	1.31%
Federal Home Loan Mortgage Corporation	3137EAE1	5,000,000	7/19/2019		AA+	4,922,875	0.97%
Federal Home Loan Mortgage Corporation	3137EAE1	2,525,000	7/19/2019		AA+	2,486,052	1.34%
Federal National Mortgage Association	3135G0N33	3,200,000	8/2/2019		AA+	3,147,040	0.90%
Federal Home Loan Bank	3130A8Y72	3,200,000	8/5/2019		AA+	3,146,836	0.91%
Federal Home Loan Mortgage Corporation	3137EAEH8	1,940,000	8/15/2019		AA+	1,920,821	1.36%
Federal National Mortgage Association	3135G0P49	625,000	8/28/2019		AA+	615,203	1.37%
African Development Bank	00828EBQ1	975,000	9/20/2019		AAA	958,029	1.16%

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1. End of quarter trade-data par values of portfolio holdings; rounded to nearest dollar.
2. End of quarter trade-data market values of portfolio holdings including accrued interest; rounded to nearest dollar.
3. LGIP yield is provided by OSTF website. U.S. Bank yield (before fees) is provided by the City.
4. 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.



City of Salem

Combined Portfolio Holdings by Maturity (continued)

Issuer	CUSIP	Par Value ¹	Maturity Date	Call Date	S&P Rating	Market Value ²	Yield to Maturity ³
Cisco Systems Inc	17275RBG6	1,050,000	9/20/2019		AA-	1,033,666	1.61%
Federal Home Loan Bank	3130A9EP2	3,450,000	9/26/2019		AA+	3,387,969	1.02%
Federal Home Loan Bank	3130A9EP2	1,525,000	9/26/2019		AA+	1,497,580	1.41%
U.S. Treasury	9128282X7	645,000	9/30/2019		AA+	636,735	2.23%
Federal Home Loan Mortgage Corporation	3137EADM8	2,570,000	10/2/2019		AA+	2,547,439	1.43%
Procter & Gamble Co	742718EZ8	370,000	10/25/2019		AA-	368,714	2.36%
Chevron Corp	166764AN0	1,050,000	11/15/2019	10/15/2019	AA-	1,052,311	1.64%
Federal Home Loan Bank	3130AA3R7	1,515,000	11/15/2019		AA+	1,501,320	1.43%
Pfizer Inc	717081EB5	320,000	12/15/2019		AA	317,352	2.43%
U.S. Treasury	912828G95	2,550,000	12/31/2019		AA+	2,532,525	1.38%
Federal Home Loan Mortgage Corporation	3137EAAA5	7,500,000	1/17/2020		AA+	7,416,145	1.48%
Federal Home Loan Mortgage Corporation	3137EAAA5	6,270,000	1/17/2020		AA+	6,199,897	1.45%
Apple Inc	037833AX8	1,050,000	2/7/2020		AA+	1,032,979	1.65%
Microsoft Corp	594918AY0	1,050,000	2/12/2020	1/12/2020	AAA	1,043,796	1.61%
Federal National Mortgage Association	3135G0T29	6,000,000	2/28/2020		AA+	5,917,686	1.55%
U.S. Treasury	912828UV0	2,930,000	3/31/2020		AA+	2,863,251	1.71%
Toyota Motor Credit Corp	89236TDU6	370,000	4/17/2020		AA-	367,195	2.77%
Federal Home Loan Mortgage Corporation	3137EAFF2	2,500,000	4/20/2020		AA+	2,467,696	1.47%
U.S. Treasury	912828K58	530,000	4/30/2020		AA+	522,895	2.31%
U.S. Treasury	912828VA5	2,500,000	4/30/2020		AA+	2,451,849	1.49%
Apple Inc	037833BD1	2,500,000	5/6/2020		AA+	2,487,672	1.78%
Apple Inc	037833CS7	375,000	5/11/2020		AA+	371,589	2.56%
U.S. Treasury	912828XE5	2,500,000	5/31/2020		AA+	2,469,014	1.43%
U.S. Treasury	912828XE5	525,000	5/31/2020		AA+	518,493	2.32%
Federal National Mortgage Association	3135G0D75	2,480,000	6/22/2020		AA+	2,442,237	1.45%

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1. End of quarter trade-data par values of portfolio holdings; rounded to nearest dollar.

2. End of quarter trade-data market values of portfolio holdings including accrued interest; rounded to nearest dollar.

3. LGIP yield is provided by OSTF website. U.S. Bank yield (before fees) is provided by the City.



City of Salem

Combined Portfolio Holdings by Maturity (continued)

Issuer	CUSIP	Par Value ¹	Maturity Date	Call Date	S&P Rating	Market Value ²	Yield to Maturity ³
U.S. Treasury	912828XH8	1,100,000	6/30/2020		AA+	1,087,478	1.53%
U.S. Treasury	912828XH8	900,000	6/30/2020		AA+	889,754	2.32%
Wal-Mart Stores Inc	931142CU5	360,000	7/8/2020		AA	370,829	2.49%
Federal National Mortgage Association	3135G0T60	2,480,000	7/30/2020		AA+	2,436,587	1.50%
U.S. Treasury	912828XM7	1,265,000	7/31/2020		AA+	1,248,098	2.33%
3M Company	88579YAQ4	2,500,000	8/7/2020		AA-	2,477,370	1.69%
U.S. Treasury	912828L32	1,625,000	8/31/2020		AA+	1,589,745	2.34%
Johnson & Johnson	478160AW4	365,000	9/1/2020		AAA	368,682	2.46%
Federal Home Loan Bank	3130ACE26	1,400,000	9/28/2020		AA+	1,365,835	1.48%
U.S. Treasury	912828L65	1,295,000	9/30/2020		AA+	1,264,141	1.48%
U.S. Treasury	912828L65	1,260,000	9/30/2020		AA+	1,229,975	2.34%
Microsoft Corp	594918AH7	360,000	10/1/2020		AAA	368,835	2.59%
U.S. Treasury	912828L99	6,500,000	10/31/2020		AA+	6,376,549	1.73%
U.S. Treasury	912828L99	840,000	10/31/2020		AA+	824,046	2.36%
U.S. Treasury	912828M98	5,350,000	11/30/2020		AA+	5,275,899	2.07%
U.S. Treasury	912828M98	1,200,000	11/30/2020		AA+	1,183,379	2.36%
U.S. Treasury	912828A83	1,195,000	12/31/2020		AA+	1,202,088	2.36%
U.S. Treasury	912828N48	2,060,000	12/31/2020		AA+	2,034,862	1.53%
U.S. Treasury	912828N89	5,000,000	1/31/2021		AA+	4,872,530	2.09%
U.S. Treasury	912828N89	310,000	1/31/2021		AA+	302,097	2.38%
Cisco Systems Inc	17275RBD3	1,250,000	2/28/2021		AA-	1,229,767	2.86%
U.S. Treasury	912828T34	1,250,000	9/30/2021		AA+	1,194,130	2.53%
Total Value PFM Managed Funds		\$261,030,000				\$258,838,819	1.49%
LGIP		\$86,812,872				\$86,812,872	2.10%
Bank Balances		\$25,727,306				\$25,727,306	0.50%
Total Value All Funds		\$373,570,178				\$371,378,997	1.56%

1. End of quarter trade-data par values of portfolio holdings; rounded to nearest dollar.
 2. End of quarter trade-data market values of portfolio holdings including accrued interest; rounded to nearest dollar.
 3. LGIP yield is provided by OSTF website. U.S. Bank yield (before fees) is provided by the City.



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM LONG-TERM PORTFOLIO

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 10/31/2013 1.250% 10/31/2018	912828WD8	3,700,000.00	AA+	Aaa	05/09/16	05/11/16	3,741,914.06	0.79	19,419.89	3,709,915.08	3,684,245.40
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	5,250,000.00	AA+	Aaa	05/03/16	05/05/16	5,303,935.55	0.85	21,995.19	5,264,056.61	5,223,545.25
US TREASURY N/B DTD 01/15/2016 1.125% 01/15/2019	912828N63	2,195,000.00	AA+	Aaa	03/23/16	03/24/16	2,200,230.27	1.04	5,184.32	2,196,487.27	2,178,366.29
US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019	912828D23	5,000,000.00	AA+	Aaa	05/03/16	05/05/16	5,105,468.75	0.91	34,116.02	5,038,470.50	4,971,680.00
US TREASURY NOTES DTD 04/01/2013 1.125% 03/31/2020	912828UV0	2,930,000.00	AA+	Aaa	03/15/17	03/17/17	2,879,526.17	1.71	90.06	2,896,532.46	2,863,160.84
US TREASURY NOTES DTD 04/30/2013 1.125% 04/30/2020	912828VA5	2,500,000.00	AA+	Aaa	04/26/17	04/27/17	2,473,242.19	1.49	11,809.39	2,481,373.73	2,440,040.00
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	1,100,000.00	AA+	Aaa	06/27/17	06/28/17	1,103,093.75	1.53	4,493.44	1,102,327.71	1,082,984.10
US TREASURY NOTES DTD 10/31/2015 1.375% 10/31/2020	912828L99	6,500,000.00	AA+	Aaa	02/01/17	02/07/17	6,416,718.75	1.73	37,527.62	6,441,811.42	6,339,021.00
US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	5,350,000.00	AA+	Aaa	01/08/18	01/10/18	5,284,169.92	2.07	29,138.39	5,289,133.48	5,246,761.05
US TREASURY NOTES DTD 01/31/2016 1.375% 01/31/2021	912828N89	5,000,000.00	AA+	Aaa	01/08/18	01/10/18	4,893,945.31	2.09	11,395.03	4,901,485.15	4,861,135.00
US TREASURY N/B DTD 09/30/2016 1.125% 09/30/2021	912828T34	1,250,000.00	AA+	Aaa	03/06/18	03/07/18	1,190,283.20	2.53	38.42	1,191,388.46	1,194,091.25
Security Type Sub-Total		40,775,000.00					40,592,527.92	1.48	175,207.77	40,512,981.87	40,085,030.18
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	04/05/16	04/12/16	1,744,750.00	1.10	6,708.33	1,748,078.99	1,725,967.25
AFRICAN DEVELOPMENT BANK NOTE DTD 09/20/2016 1.125% 09/20/2019	00828EBO1	975,000.00	AAA	Aaa	09/14/16	09/20/16	973,966.50	1.16	335.16	974,489.32	957,693.75



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM LONG-TERM PORTFOLIO

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
Supra-National Agency Bond / Note												
Security Type Sub-Total			2,725,000.00					2,718,716.50	1.12	7,043.49	2,722,568.31	2,683,661.00
Federal Agency Bond / Note												
FHLB NOTES DTD 07/08/2016 0.625% 08/07/2018		3130A8PK3	750,000.00	AA+	Aaa	08/10/16	08/12/16	747,292.50	0.81	703.13	749,520.03	746,505.00
FHLB NOTES DTD 07/08/2016 0.625% 08/07/2018		3130A8PK3	4,125,000.00	AA+	Aaa	07/08/16	07/12/16	4,116,131.25	0.73	3,867.19	4,123,490.99	4,105,777.50
FHLB GLOBAL NOTES DTD 08/26/2016 0.875% 10/01/2018		3130A9AE1	5,000,000.00	AA+	Aaa	09/02/16	09/08/16	4,996,650.00	0.91	21,875.00	4,999,181.55	4,971,985.00
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019		3135G0J53	5,000,000.00	AA+	Aaa	05/03/16	05/05/16	5,003,750.00	0.97	4,861.11	5,001,221.05	4,947,600.00
FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019		3137EADZ9	5,000,000.00	AA+	Aaa	09/02/16	09/08/16	5,020,550.00	0.96	25,937.50	5,008,268.00	4,946,745.00
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019		3130A8DB6	5,000,000.00	AA+	Aaa	07/08/16	07/12/16	5,048,300.00	0.79	15,625.00	5,020,202.85	4,936,165.00
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019		3137EAEB1	5,000,000.00	AA+	Aaa	07/21/16	07/25/16	4,986,450.00	0.97	8,750.00	4,994,049.35	4,914,125.00
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019		3135G0N33	3,200,000.00	AA+	Aaa	08/04/16	08/08/16	3,198,112.00	0.90	4,588.89	3,199,148.83	3,142,451.20
FHLB GLOBAL NOTE DTD 08/04/2016 0.875% 08/05/2019		3130A8Y72	3,200,000.00	AA+	Aaa	08/04/16	08/08/16	3,196,896.00	0.91	4,355.56	3,198,595.14	3,142,480.00
FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019		3130A9EP2	3,450,000.00	AA+	Aaa	10/04/16	10/07/16	3,448,344.00	1.02	479.17	3,449,166.27	3,387,489.45
FREDDIE MAC NOTES DTD 01/17/2017 1.500% 01/17/2020		3137EAEE5	7,500,000.00	AA+	Aaa	04/07/17	04/10/17	7,504,050.00	1.48	23,125.00	7,502,675.93	7,393,020.00
FNMA NOTES DTD 02/28/2017 1.500% 02/28/2020		3135G0T29	6,000,000.00	AA+	Aaa	02/27/17	02/28/17	5,991,000.00	1.55	8,250.00	5,994,227.70	5,909,436.00



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM LONG-TERM PORTFOLIO

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											
FHLB NOTES DTD 09/08/2017 1.375% 09/28/2020	3130ACE26	1,400,000.00	AA+	Aaa	09/07/17	09/08/17	1,395,506.00	1.48	160.42	1,396,317.33	1,365,674.80
Security Type Sub-Total		54,625,000.00					54,653,031.75	1.07	122,577.97	54,636,065.02	53,909,453.95

Corporate Note											
BERKSHIRE HATHAWAY NOTES DTD 05/15/2013 1.300% 05/15/2018	084664BW0	3,000,000.00	AA	Aa2	04/24/15	04/28/15	3,020,280.00	1.07	14,733.33	3,000,824.73	2,995,809.00
MICROSOFT CORP NOTES DTD 11/03/2015 1.300% 11/03/2018	594918BF0	1,845,000.00	AAA	Aaa	10/29/15	11/03/15	1,843,155.00	1.33	9,860.50	1,844,632.16	1,835,049.92
WELLS FARGO & COMPANY NOTES DTD 10/28/2013 2.150% 01/15/2019	94974BFQ8	2,500,000.00	A-	A2	08/23/16	08/25/16	2,549,325.00	1.31	11,347.22	2,516,455.73	2,488,990.00
CHEVRON CORP NOTES DTD 05/16/2016 1.561% 05/16/2019	166764BH2	2,000,000.00	AA-	Aa2	05/09/16	05/16/16	2,000,000.00	1.56	11,707.50	2,000,000.00	1,980,996.00
TOYOTA MOTOR CREDIT CORP NOTES DTD 05/20/2016 1.400% 05/20/2019	89236TDE2	2,750,000.00	AA-	Aa3	05/17/16	05/20/16	2,746,150.00	1.45	14,009.72	2,748,522.81	2,713,691.75
COCA-COLA COMPANY CORP NOTES DTD 05/31/2016 1.375% 05/30/2019	191216BV1	1,335,000.00	AA-	Aa3	05/25/16	05/31/16	1,334,065.50	1.40	6,169.74	1,334,632.93	1,318,548.80
APPLE INC CORP NOTE DTD 05/13/2015 2.000% 05/06/2020	037833BD1	2,500,000.00	AA+	Aa1	06/27/17	06/28/17	2,515,225.00	1.78	19,166.67	2,511,270.95	2,468,505.00
3M COMPANY CORP NOTES DTD 08/07/2015 2.000% 08/07/2020	88579YAO4	2,500,000.00	AA-	A1	08/02/17	08/07/17	2,522,500.00	1.69	7,500.00	2,517,717.73	2,469,870.00
CISCO SYSTEMS INC CORP NOTES DTD 02/29/2016 2.200% 02/28/2021	17275RBD3	1,250,000.00	AA-	A1	03/06/18	03/07/18	1,226,487.50	2.86	2,368.06	1,227,001.28	1,227,398.75
Security Type Sub-Total		19,680,000.00					19,757,188.00	1.53	96,862.74	19,701,058.32	19,498,859.22

Commercial Paper											
BANK OF TOKYO MITSUBISHI UFJ LTD CP DTD 08/28/2017 0.000% 05/25/2018	06538CER8	2,500,000.00	A-1	P-1	08/30/17	08/31/17	2,471,631.25	1.55	0.00	2,494,262.50	2,491,905.00



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM LONG-TERM PORTFOLIO

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											
BNP PARIBAS NY BRANCH COMM PAPER DTD 09/05/2017 0.000% 05/30/2018	09659CEW4	2,500,000.00	A-1	P-1	09/06/17	09/08/17	2,472,683.33	1.51	0.00	2,493,895.13	2,491,647.50
CREDIT AGRICOLE CIB NY COMM PAPER DTD 12/05/2017 0.000% 06/04/2018	22533UF40	2,500,000.00	A-1	P-1	12/05/17	12/06/17	2,479,125.00	1.68	0.00	2,492,577.78	2,490,797.50
Security Type Sub-Total		7,500,000.00					7,423,439.58	1.58	0.00	7,480,735.41	7,474,350.00
Managed Account Sub-Total		125,305,000.00					125,144,903.75	1.31	401,691.97	125,053,408.93	123,651,354.35
Securities Sub-Total		\$125,305,000.00					\$125,144,903.75	1.31%	\$401,691.97	\$125,053,408.93	\$123,651,354.35
Accrued Interest											\$401,691.97
Total Investments											\$124,053,046.32



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM STREETS & BRIDGES GO BONDS

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												
BANK OF TOKYO MITSUBISHI UFJ LTD CP DTD 07/17/2017 0.000% 04/09/2018		06538CD99	930,000.00	A-1	P-1	01/10/18	01/11/18	926,089.87	1.73	0.00	929,644.54	929,518.26
Security Type Sub-Total			930,000.00					926,089.87	1.73	0.00	929,644.54	929,518.26
Managed Account Sub-Total			930,000.00					926,089.87	1.73	0.00	929,644.54	929,518.26
Securities Sub-Total			\$930,000.00					\$926,089.87	1.73%	\$0.00	\$929,644.54	\$929,518.26
Accrued Interest												\$0.00
Total Investments												\$929,518.26



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM SHORT TERM PORTFOLIO

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 09/15/2015 1.000% 09/15/2018	912828L40	5,500,000.00	AA+	Aaa	11/22/17	11/27/17	5,473,574.22	1.61	2,540.76	5,484,957.94	5,478,302.50
US TREASURY NOTES DTD 09/15/2015 1.000% 09/15/2018	912828L40	18,000,000.00	AA+	Aaa	11/30/17	12/04/17	17,915,625.00	1.61	8,315.22	17,950,790.16	17,928,990.00
US TREASURY NOTES DTD 10/15/2015 0.875% 10/15/2018	912828L81	5,500,000.00	AA+	Aaa	11/22/17	11/27/17	5,464,335.94	1.62	22,211.54	5,478,176.83	5,467,561.00
US TREASURY NOTES DTD 10/31/2016 0.750% 10/31/2018	912828T83	18,000,000.00	AA+	Aaa	11/30/17	12/04/17	17,855,156.25	1.65	56,685.08	17,907,069.60	17,873,442.00
Security Type Sub-Total		47,000,000.00					46,708,691.41	1.62	89,752.60	46,820,994.53	46,748,295.50
Commercial Paper											
TOYOTA MOTOR CREDIT CORP COMM PAPER -- 0.000% 05/14/2018	89233HEE0	4,000,000.00	A-1+	P-1	11/16/17	11/17/17	3,969,740.00	1.54	0.00	3,992,690.00	3,990,236.00
BNP PARIBAS NY BRANCH COMM PAPER DTD 11/16/2017 0.000% 05/21/2018	09659CEM6	3,500,000.00	A-1	P-1	11/16/17	11/17/17	3,471,042.36	1.62	0.00	3,492,173.62	3,490,312.00
BANK OF TOKYO MITSUBISHI UFJ COMM PAPER DTD 08/24/2017 0.000% 05/21/2018	06538CEM9	3,500,000.00	A-1	P-1	11/16/17	11/17/17	3,471,581.94	1.59	0.00	3,492,319.43	3,489,566.50
GE CAPITAL TREASURY LLC COMM PAPER DTD 08/28/2017 0.000% 05/25/2018	36164KER8	2,000,000.00	A-1	P-1	12/05/17	12/06/17	1,985,077.78	1.59	0.00	1,995,260.00	1,993,964.00
CREDIT AGRICOLE CIB NY COMM PAPER DTD 09/01/2017 0.000% 05/25/2018	22533UERO	2,500,000.00	A-1	P-1	12/05/17	12/06/17	2,480,993.06	1.62	0.00	2,493,962.50	2,492,502.50
JP MORGAN SECURITIES LLC COMM PAPER DTD 12/05/2017 0.000% 08/31/2018	46640QH2	4,750,000.00	A-1	P-1	03/13/18	03/14/18	4,699,755.56	2.26	0.00	4,705,075.55	4,700,714.00
Security Type Sub-Total		20,250,000.00					20,078,190.70	1.75	0.00	20,171,481.10	20,157,295.00
Managed Account Sub-Total		67,250,000.00					66,786,882.11	1.66	89,752.60	66,992,475.63	66,905,590.50



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM SHORT TERM PORTFOLIO

Securities Sub-Total	\$67,250,000.00	\$66,786,882.11	1.66%	\$89,752.60	\$66,992,475.63	\$66,905,590.50
Accrued Interest						\$89,752.60
Total Investments						\$66,995,343.10



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM POLICE FACILITY BONDS 2017

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	09/01/17	09/07/17	2,564,044.92	1.38	10,416.61	2,560,671.42	2,522,108.10
US TREASURY NOTES DTD 06/01/2015 1.500% 05/31/2020	912828XE5	2,500,000.00	AA+	Aaa	09/01/17	09/07/17	2,504,589.84	1.43	12,568.68	2,503,667.48	2,456,445.00
US TREASURY NOTES DTD 09/30/2015 1.375% 09/30/2020	912828L65	1,295,000.00	AA+	Aaa	09/01/17	09/07/17	1,291,003.71	1.48	48.65	1,291,731.11	1,264,092.24
US TREASURY N/B DTD 12/31/2015 1.750% 12/31/2020	912828N48	2,060,000.00	AA+	Aaa	09/01/17	09/07/17	2,074,484.38	1.53	9,062.29	2,072,081.49	2,025,799.88

Security Type Sub-Total **8,405,000.00** **8,434,122.85** **1.45** **32,096.23** **8,428,151.50** **8,268,445.22**

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	09/05/17	09/08/17	2,392,748.50	1.31	11,228.02	2,391,863.72	2,368,004.83
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	2,365,000.00	AA+	Aaa	09/05/17	09/08/17	2,357,195.50	1.31	7,390.63	2,359,648.83	2,334,806.05
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	2,525,000.00	AA+	Aaa	09/05/17	09/08/17	2,503,310.25	1.34	4,418.75	2,509,824.90	2,481,633.13
FREDDIE MAC NOTES DTD 07/19/2017 1.375% 08/15/2019	3137EAEH8	1,940,000.00	AA+	Aaa	09/05/17	09/08/17	1,940,426.80	1.36	3,408.47	1,940,315.27	1,917,412.58
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	625,000.00	AA+	Aaa	09/05/17	09/08/17	620,537.50	1.37	572.92	621,802.15	614,630.00
FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019	3130A9EP2	1,525,000.00	AA+	Aaa	09/01/17	09/07/17	1,512,327.25	1.41	211.81	1,515,791.18	1,497,368.53
FREDDIE MAC GLOBAL NOTES DTD 10/02/2012 1.250% 10/02/2019	3137EADM8	2,570,000.00	AA+	Aaa	09/01/17	09/07/17	2,560,696.60	1.43	15,973.26	2,563,221.96	2,531,465.42
FHLB NOTES DTD 11/17/2016 1.375% 11/15/2019	3130AA3R7	1,515,000.00	AA+	Aaa	09/01/17	09/07/17	1,513,303.20	1.43	7,869.58	1,513,744.16	1,493,450.64
FREDDIE MAC NOTES DTD 01/17/2017 1.500% 01/17/2020	3137EAEE5	6,270,000.00	AA+	Aaa	09/01/17	09/07/17	6,277,398.60	1.45	19,332.50	6,275,670.46	6,180,564.72



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM POLICE FACILITY BONDS 2017

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											
FHLMC AGENCY NOTES DTD 04/20/2017 1.375% 04/20/2020	3137EAEF2	2,500,000.00	AA+	Aaa	09/01/17	09/07/17	2,494,225.00	1.47	15,373.26	2,495,465.03	2,452,322.50
FNMA BENCHMARK NOTES DTD 04/27/2015 1.500% 06/22/2020	3135G0D75	2,480,000.00	AA+	Aaa	09/01/17	09/07/17	2,483,521.60	1.45	10,230.00	2,482,830.67	2,432,007.04
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	2,480,000.00	AA+	Aaa	09/01/17	09/07/17	2,480,173.60	1.50	6,303.33	2,480,148.87	2,430,283.44
Security Type Sub-Total		29,185,000.00					29,135,864.40	1.41	102,312.53	29,150,327.20	28,733,948.88

Corporate Note											
BERKSHIRE HATHAWAY FIN GLOBAL NOTES DTD 08/15/2013 2.000% 08/15/2018	084664BY6	1,050,000.00	AA	Aa2	09/05/17	09/08/17	1,055,523.00	1.43	2,683.33	1,052,204.58	1,047,883.20
EXXON MOBIL CORP NOTES DTD 03/03/2016 1.708% 03/01/2019	30231GAP7	1,050,000.00	AA+	Aaa	09/05/17	09/08/17	1,053,643.50	1.47	1,494.50	1,052,265.27	1,044,278.55
CISCO SYSTEMS INC CORP NOTES DTD 09/20/2016 1.400% 09/20/2019	17275RBG6	1,050,000.00	AA-	A1	09/01/17	09/07/17	1,045,558.50	1.61	449.17	1,046,781.75	1,033,216.80
CHEVRON CORP (CALLABLE) NOTE DTD 11/18/2014 2.193% 11/15/2019	166764AN0	1,050,000.00	AA-	Aa2	09/01/17	09/07/17	1,062,358.50	1.64	8,698.90	1,059,081.27	1,043,611.80
APPLE INC BONDS DTD 02/09/2015 1.550% 02/07/2020	037833AX8	1,050,000.00	AA+	Aa1	09/01/17	09/07/17	1,047,637.50	1.65	2,350.83	1,048,186.95	1,030,628.55
MICROSOFT CORP (CALLABLE) NOTE DTD 02/12/2015 1.850% 02/12/2020	594918AY0	1,050,000.00	AAA	Aaa	09/01/17	09/07/17	1,055,901.00	1.61	2,643.96	1,054,500.43	1,041,151.65
Security Type Sub-Total		6,300,000.00					6,320,622.00	1.57	18,320.69	6,313,020.25	6,240,770.55

Commercial Paper											
JP MORGAN SECURITIES LLC COMM PAPER DTD 09/06/2017 0.000% 05/01/2018	466400E15	1,950,000.00	A-1	P-1	09/06/17	09/07/17	1,930,825.00	1.51	0.00	1,947,562.50	1,946,445.15
BANK OF TOKYO MITSUBISHI UFJ LTD CP DTD 08/28/2017 0.000% 05/25/2018	06538CER8	1,950,000.00	A-1	P-1	09/05/17	09/06/17	1,928,086.88	1.57	0.00	1,945,466.25	1,943,685.90



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM POLICE FACILITY BONDS 2017

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											
BNP PARIBAS NY BRANCH COMM PAPER DTD 09/05/2017 0.000% 05/25/2018	09659CER5	1,950,000.00	A-1	P-1	09/05/17	09/06/17	1,928,793.75	1.52	0.00	1,945,612.50	1,944,124.65
CREDIT AGRICOLE CIB NY COMM PAPER DTD 11/01/2017 0.000% 07/27/2018	22533UGT4	1,500,000.00	A-1	P-1	01/31/18	02/01/18	1,486,213.33	1.90	0.00	1,490,834.99	1,488,750.00
BANK OF TOKYO MITSUBISHI UFJ LTD CP DTD 01/05/2018 0.000% 08/07/2018	06538CH79	1,070,000.00	A-1	P-1	02/07/18	02/08/18	1,059,407.00	2.00	0.00	1,062,467.20	1,060,791.58
TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 01/31/2018 0.000% 10/26/2018	89233HKS2	1,500,000.00	A-1+	P-1	01/31/18	02/01/18	1,478,083.75	2.00	0.00	1,482,926.66	1,479,270.00
Security Type Sub-Total		9,920,000.00					9,811,409.71	1.71	0.00	9,874,870.10	9,863,067.28
Managed Account Sub-Total		53,810,000.00					53,702,018.96	1.49	152,729.45	53,766,369.05	53,106,231.93
Securities Sub-Total		\$53,810,000.00					\$53,702,018.96	1.49%	\$152,729.45	\$53,766,369.05	\$53,106,231.93
Accrued Interest											\$152,729.45
Total Investments											\$53,258,961.38



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM LIBRARY PROJ GO BONDS 2018

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 05/31/2016 0.875% 05/31/2018	912828R51	920,000.00	AA+	Aaa	03/27/18	03/29/18	918,670.31	1.71	2,698.08	918,733.63	918,750.64
US TREASURY N/B NOTES	DTD 10/02/2017 1.375% 09/30/2019	9128282X7	645,000.00	AA+	Aaa	03/27/18	03/29/18	636,912.30	2.23	24.23	636,956.12	636,710.46
US TREASURY NOTES	DTD 04/30/2015 1.375% 04/30/2020	912828K58	530,000.00	AA+	Aaa	03/27/18	03/29/18	519,917.58	2.31	3,059.94	519,956.95	519,834.60
US TREASURY NOTES	DTD 06/01/2015 1.500% 05/31/2020	912828XE5	525,000.00	AA+	Aaa	03/27/18	03/29/18	515,956.05	2.32	2,639.42	515,989.80	515,853.45
US TREASURY NOTES	DTD 06/30/2015 1.625% 06/30/2020	912828XH8	900,000.00	AA+	Aaa	03/27/18	03/29/18	886,394.53	2.32	3,676.45	886,443.65	886,077.90
US TREASURY NOTES	DTD 07/31/2015 1.625% 07/31/2020	912828XM7	1,265,000.00	AA+	Aaa	03/27/18	03/29/18	1,244,888.48	2.33	3,407.11	1,244,958.25	1,244,690.43
US TREASURY NOTES	DTD 08/31/2015 1.375% 08/31/2020	912828L32	1,625,000.00	AA+	Aaa	03/27/18	03/29/18	1,588,183.59	2.34	1,942.93	1,588,304.82	1,587,802.13
US TREASURY NOTES	DTD 09/30/2015 1.375% 09/30/2020	912828L65	1,260,000.00	AA+	Aaa	03/27/18	03/29/18	1,230,468.75	2.34	47.34	1,230,563.65	1,229,927.58
US TREASURY NOTES	DTD 10/31/2015 1.375% 10/31/2020	912828L99	840,000.00	AA+	Aaa	03/27/18	03/29/18	819,360.94	2.36	4,849.72	819,425.54	819,196.56
US TREASURY NOTES	DTD 11/30/2015 1.625% 11/30/2020	912828M98	1,200,000.00	AA+	Aaa	03/27/18	03/29/18	1,177,312.50	2.36	6,535.71	1,177,381.00	1,176,843.60
US TREASURY NOTES	DTD 12/31/2013 2.375% 12/31/2020	912828A83	1,195,000.00	AA+	Aaa	03/27/18	03/29/18	1,195,513.48	2.36	7,134.51	1,195,512.58	1,194,953.40
US TREASURY NOTES	DTD 01/31/2016 1.375% 01/31/2021	912828N89	310,000.00	AA+	Aaa	03/27/18	03/29/18	301,499.22	2.38	706.49	301,523.34	301,390.37
Security Type Sub-Total			11,215,000.00					11,035,077.73	2.28	36,721.93	11,035,749.33	11,032,031.12
Corporate Note												
THE PROCTER & GAMBLE CO CORP NOTES	DTD 10/25/2017 1.750% 10/25/2019	742718EZ8	370,000.00	AA-	Aa3	03/27/18	03/29/18	366,522.00	2.36	2,805.83	366,534.25	365,908.17



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2018**

CITY OF SALEM LIBRARY PROJ GO BONDS 2018

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											
PFIZER INC CORP NOTE DTD 11/21/2016 1.700% 12/15/2019	717081EB5	320,000.00	AA	A1	03/27/18	03/29/18	316,089.60	2.43	1,601.78	316,102.16	315,750.08
TOYOTA MOTOR CREDIT CORP (CALLABLE) DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	370,000.00	AA-	Aa3	03/27/18	03/29/18	363,991.20	2.77	3,286.83	364,007.28	363,907.95
APPLE INC BONDS DTD 05/11/2017 1.800% 05/11/2020	037833CS7	375,000.00	AA+	Aa1	03/27/18	03/29/18	369,191.25	2.56	2,625.00	369,206.28	368,964.38
WAL MART STORES INC. CORP NOTES DTD 07/08/2010 3.625% 07/08/2020	931142CU5	360,000.00	AA	Aa2	03/27/18	03/29/18	368,956.80	2.49	3,008.75	368,935.64	367,820.64
JOHNSON & JOHNSON GLOBAL NOTES DTD 08/17/2010 2.950% 09/01/2020	478160AW4	365,000.00	AAA	Aaa	03/27/18	03/29/18	369,142.75	2.46	897.29	369,133.53	367,784.95
MICROSOFT CORP NOTES DTD 09/27/2010 3.000% 10/01/2020	594918AH7	360,000.00	AAA	Aaa	03/27/18	03/29/18	363,524.40	2.59	5,400.00	363,517.22	363,435.12
Security Type Sub-Total		2,520,000.00					2,517,418.00	2.53	19,625.48	2,517,436.36	2,513,571.29
Managed Account Sub-Total		13,735,000.00					13,552,495.73	2.33	56,347.41	13,553,185.69	13,545,602.41
Securities Sub-Total		\$13,735,000.00					\$13,552,495.73	2.33%	\$56,347.41	\$13,553,185.69	\$13,545,602.41
Accrued Interest											\$56,347.41
Total Investments											\$13,601,949.82



City of Salem Finance Committee

PERS Update

July 16, 2018

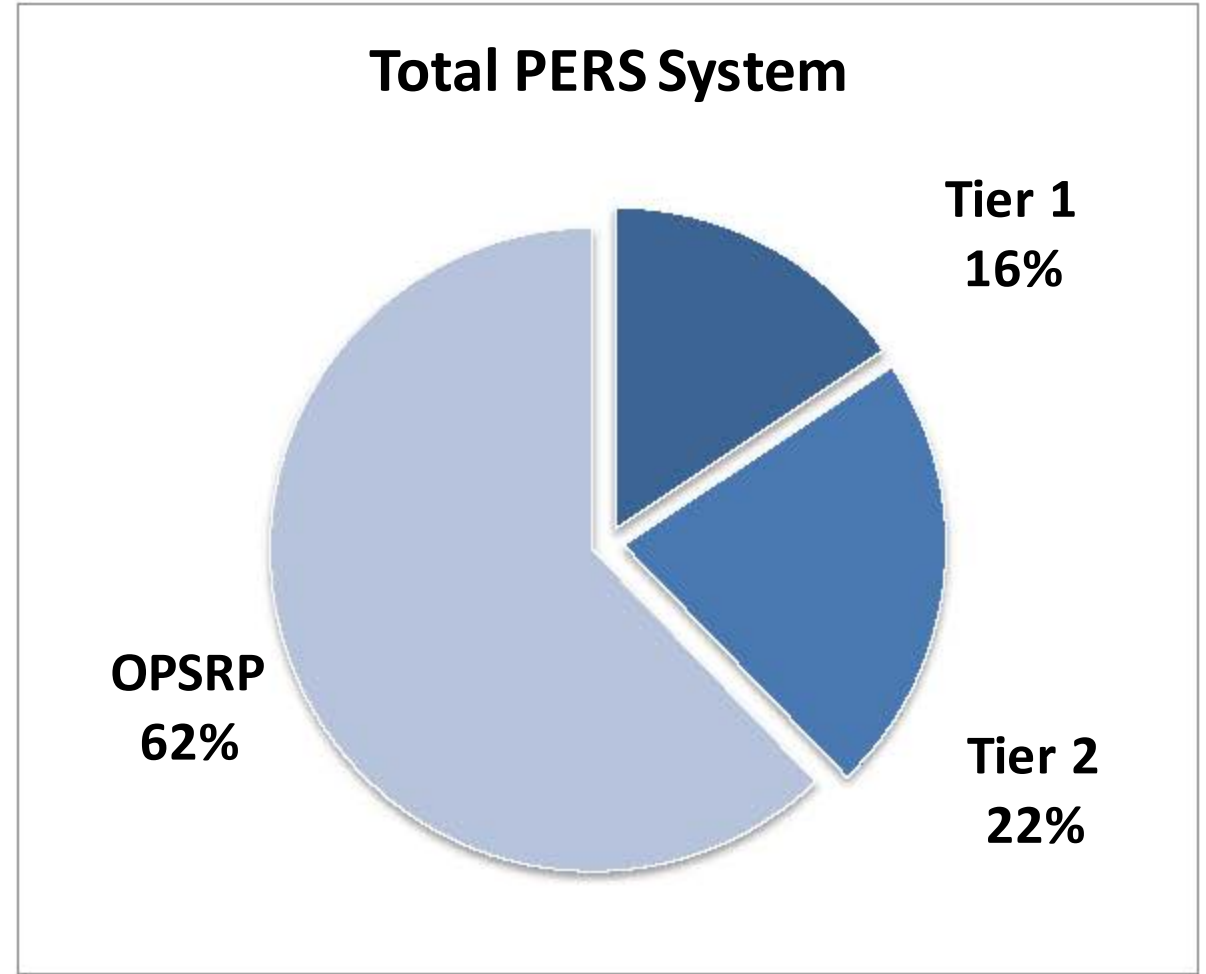
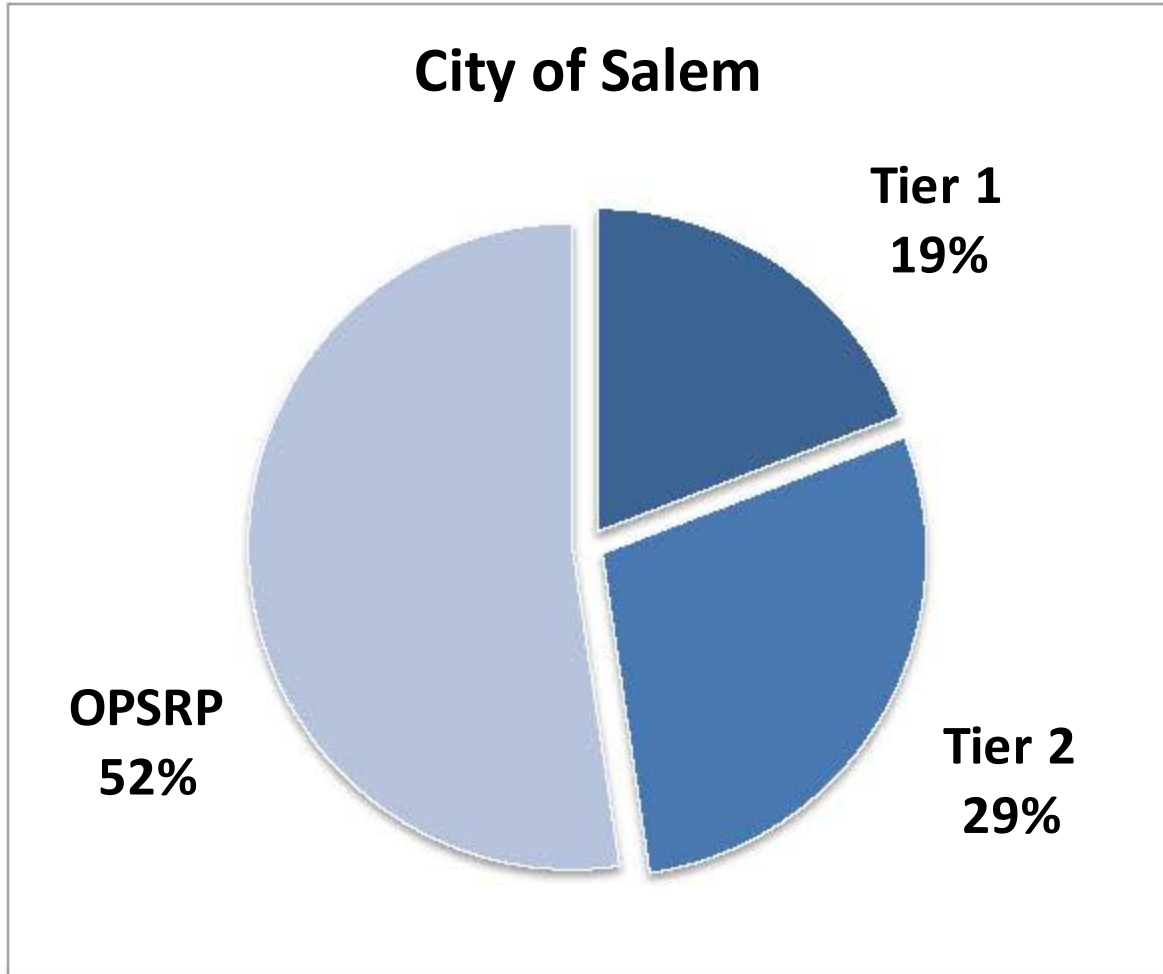
PERS Rates – FY 2018-19 Budget Development

The Adopted Budget incorporates the actual rates set by PERS that are in effect from July 1, 2017 to June 30, 2019. The City applies rates to each individual employee based on their specific PERS Tier. This process allows us to accurately budget for each employee's PERS expense, including expected cost of living and merit increases.

Variables for Budget/Forecast Development:

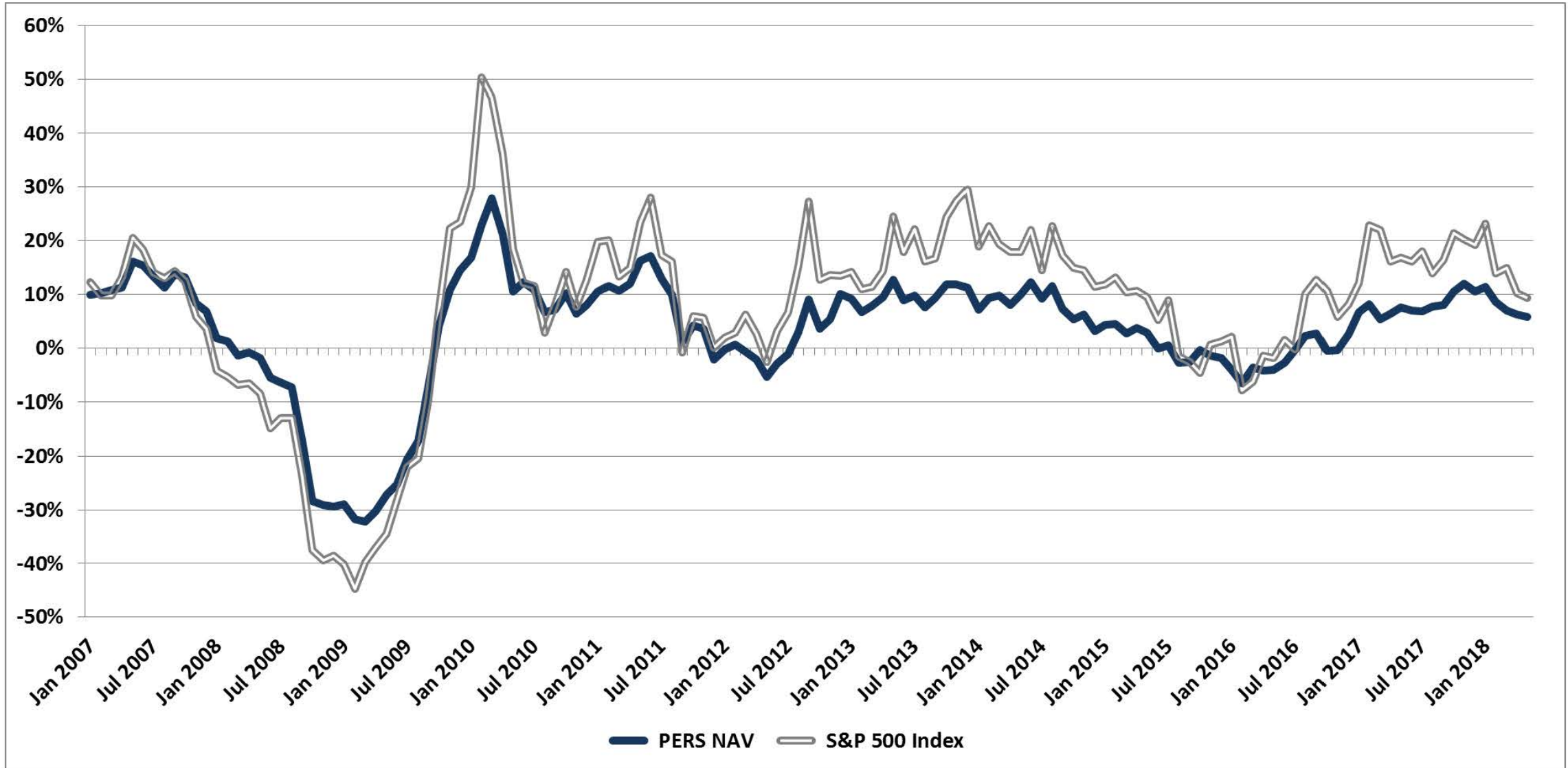
- Budgeted FY 2018-19 PERS expense assumes full employment to ensure appropriate budget authority.
- Vacant positions are assigned an OPSRP rate instead of a higher Tier 1/Tier 2 rate. Actual hiring may increase this expense.
- Actual PERS rates are used for the Budget, and Forecast rates (FY 2019-20 and beyond) reflect projected rates.
- Biennial PERS rate increases are “collared” (limited) based on the City’s funded percentage. This allows a certain level of predictability to future rate assumptions.
- PERS Board actions, including changes in the assumed earning rate and actuarial assumptions, can affect future rates.
- Investment earnings account for the largest single impact on employer rates.

Percentage of Active PERS Members in Each Benefit Tier

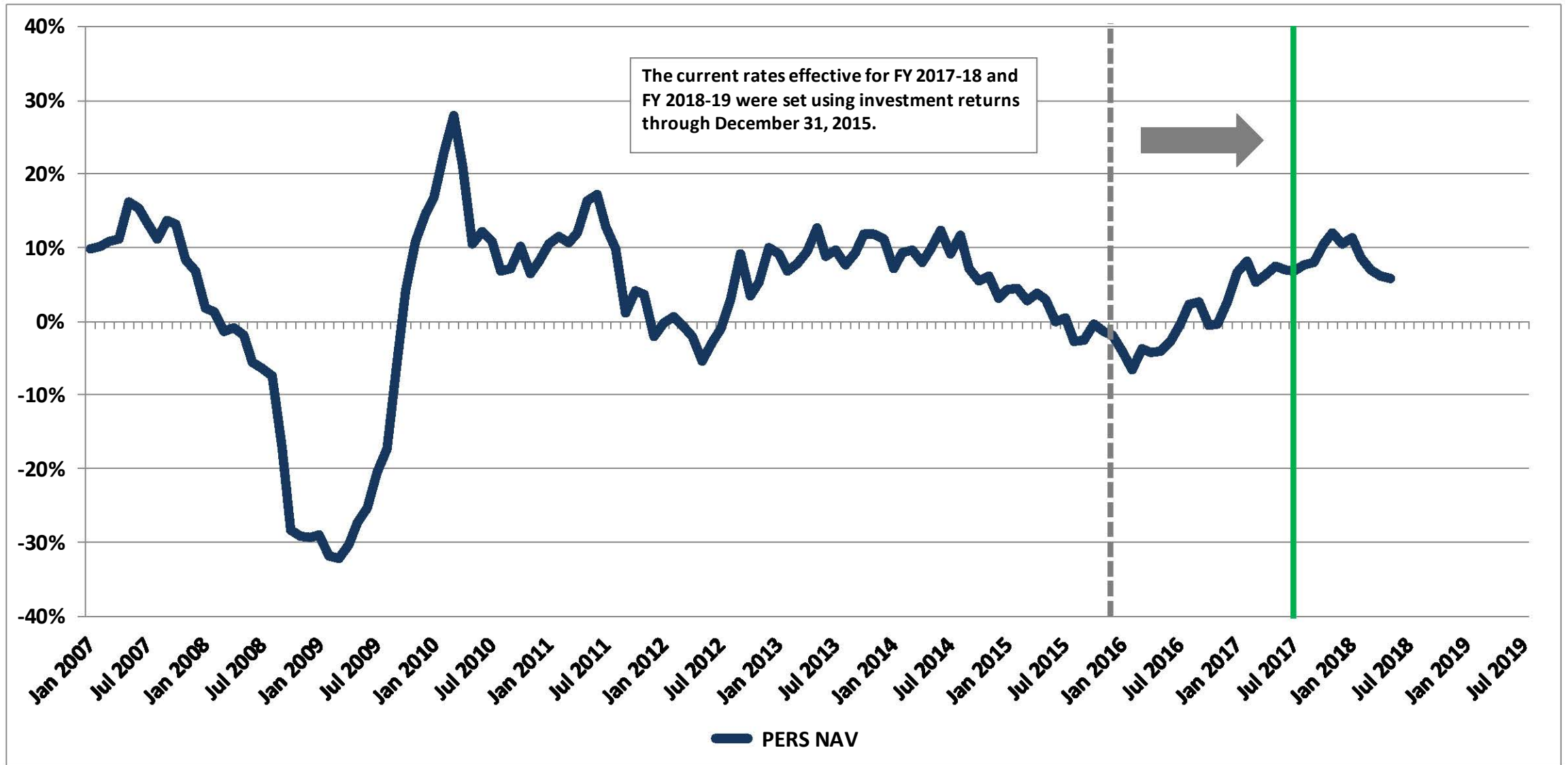


Source: PERS Annual Actuarial Valuation (2016)

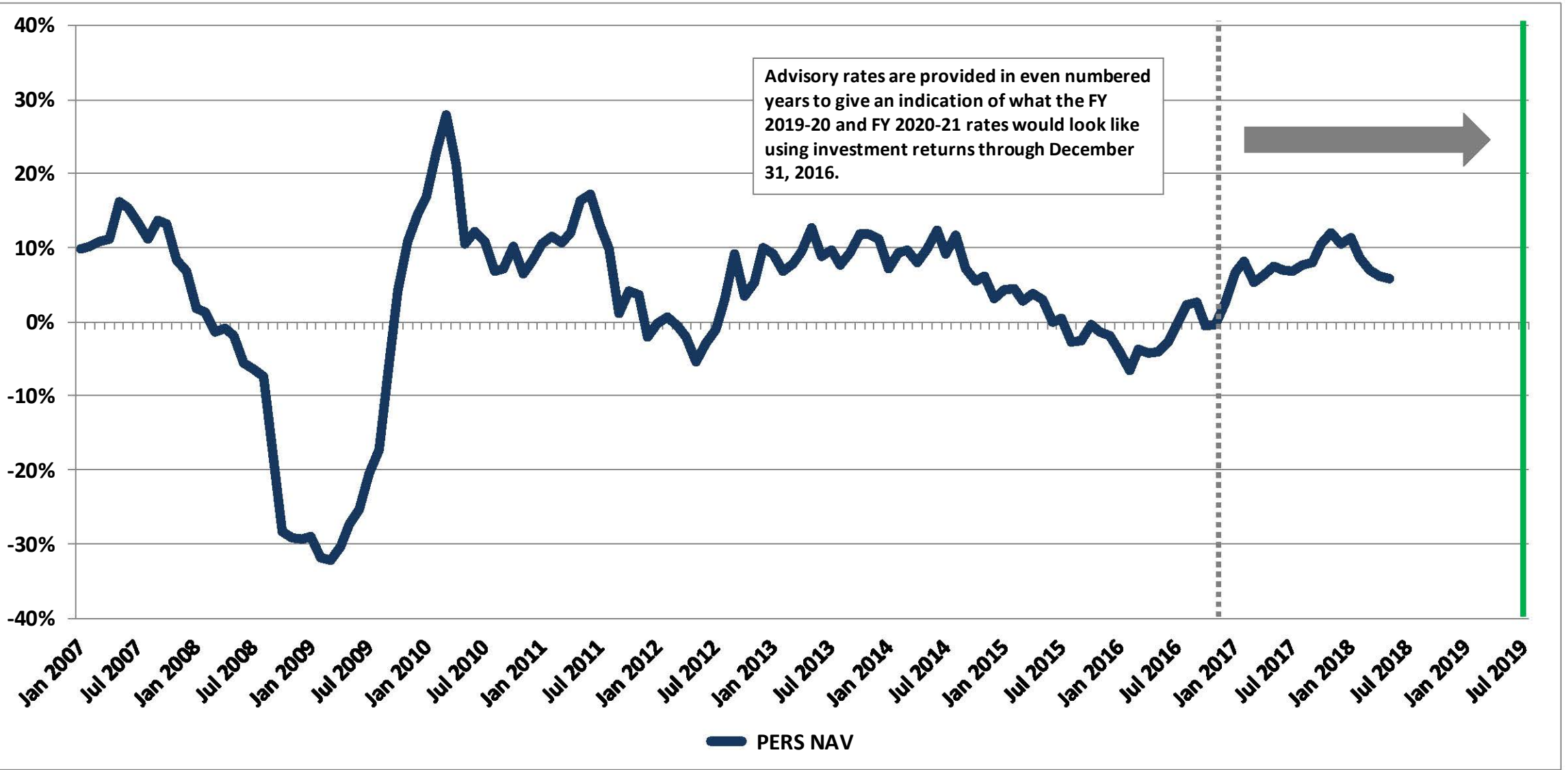
PERS Year over Year Percentage Change vs. the S&P 500 Index



PERS Rate Setting Process



PERS Rate Setting Process



PERS Rate Setting Process

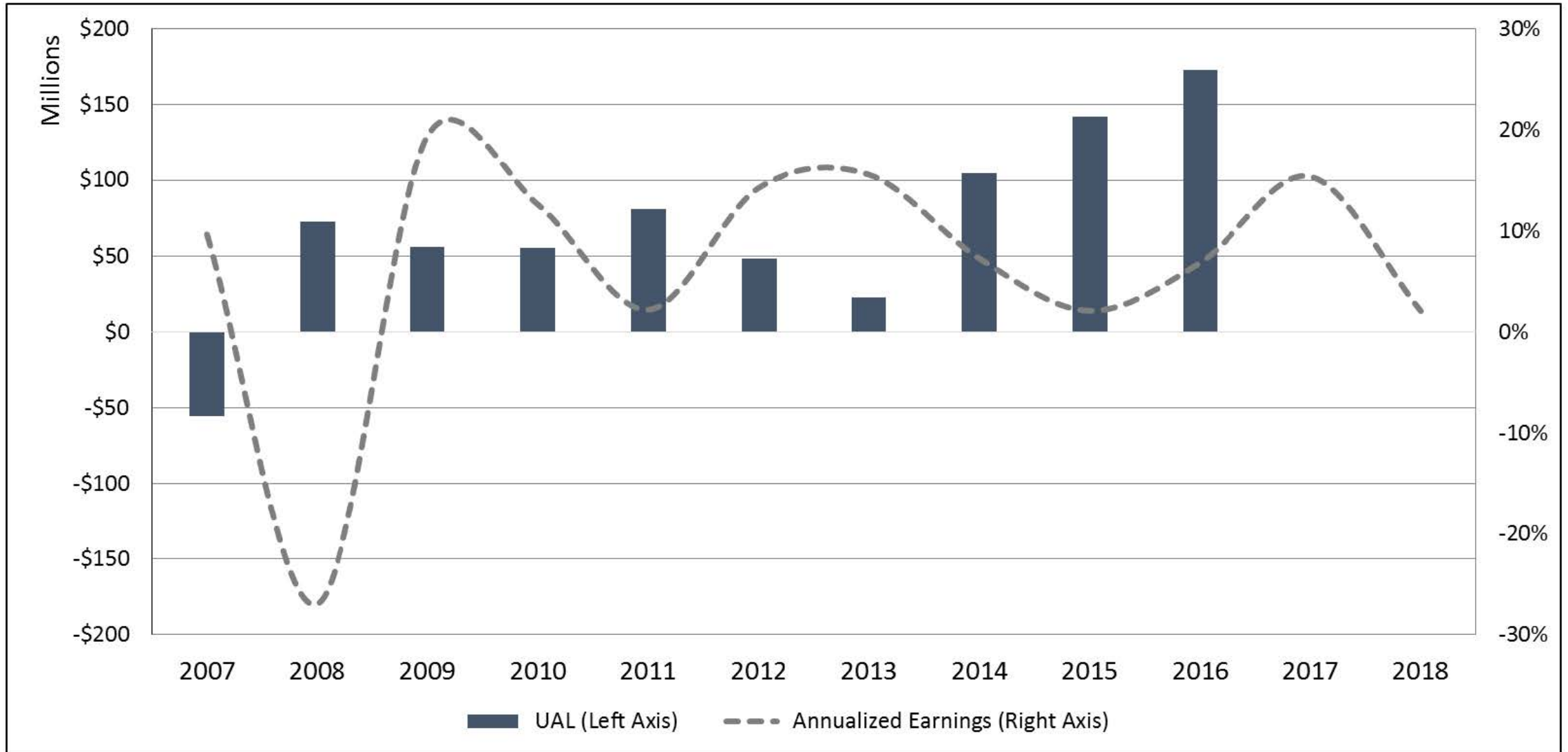


Unfunded Actuarial Liability (UAL)

The UAL is calculated by taking the Actuarial Liability over the Actuarial value of the Assets.

Tier 1 / Tier 2 UAL as of December 31, 2016:	\$159,092,028
OPSRP UAL as of December 31, 2016:	<u>13,836,731</u>
Total UAL as of December 31, 2016:	\$172,928,759

Unfunded Actuarial Liability (UAL) vs. Annualized Earnings

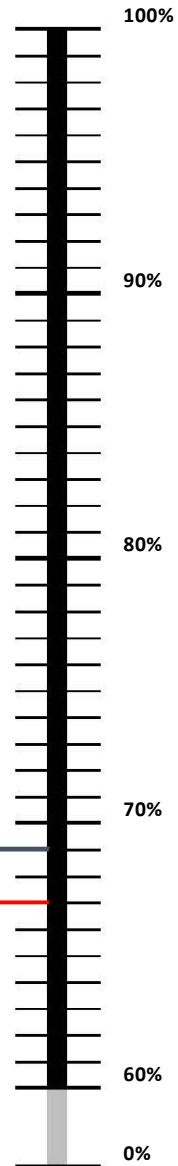


The PERS Rate Collar Calculation

PERS uses several methods to limit rate increases to employers. The Rate "Collar" limits the biennia to biennia increases, however, the limitations effectively spread out larger increases over a longer period of time.

2017-18 to FY 2018-19 Adopted Rates: 69%

2019-20 to FY 2020-21 Advisory Rates: 67%



When the PERS funded percentage for an employer is between 100% and 70%, the Single Rate "Collar" limits increases to the greater of 3 percentage points, or 20% higher than the current gross rates (rate excluding side account relief). City future rates anticipate top of Single Rate Collar increases throughout the Forecast.

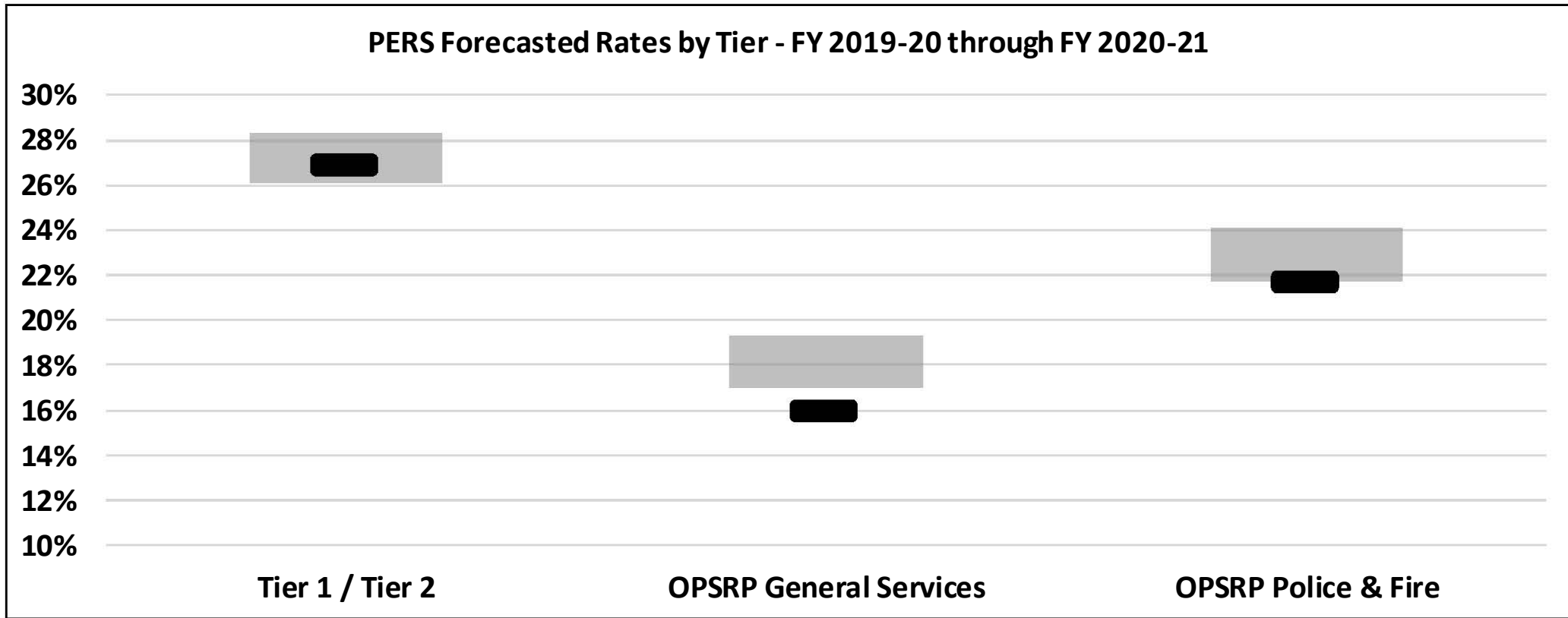
When the funded percentage is less than 70%, the Rate "Collar" can double to 40%. Each percentage point below 70% adds 2% to the increase amount. For example, our current rates are based on a 69% funded rate, thus we received a 22% increase.

PERS Rate Increases – A System-Wide Impact

PERS Employer Comparison	FY 2018-19 Adopted Tier 1/2 Rate	FY 2019-20 Advisory Tier 1/2 Rate	Change in Rate	Percentage Change in Rate	Tier 1/2 Unfunded Liability
City of Salem	21.07%	28.31%	7.24%	34.36%	\$159,092,028
City of Eugene	21.40%	25.61%	4.21%	19.67%	\$241,802,577
City of Beaverton	18.39%	22.32%	3.93%	21.37%	\$79,230,605
City of Medford	18.49%	23.88%	5.39%	29.15%	\$81,126,722
Marion County	17.09%	22.34%	5.25%	30.72%	\$172,765,806
Salem-Keizer Schools	16.38%	23.40%	7.02%	42.86%	\$674,420,488

PERS rates are adopted every two years based on the valuation results in odd numbered calendar years. For example, the current rates that are in place are based on the December 2015 valuation. The new rates, effective July 1, 2019, will be based on the December 2017 valuation. We will receive the adopted rates later this fall.

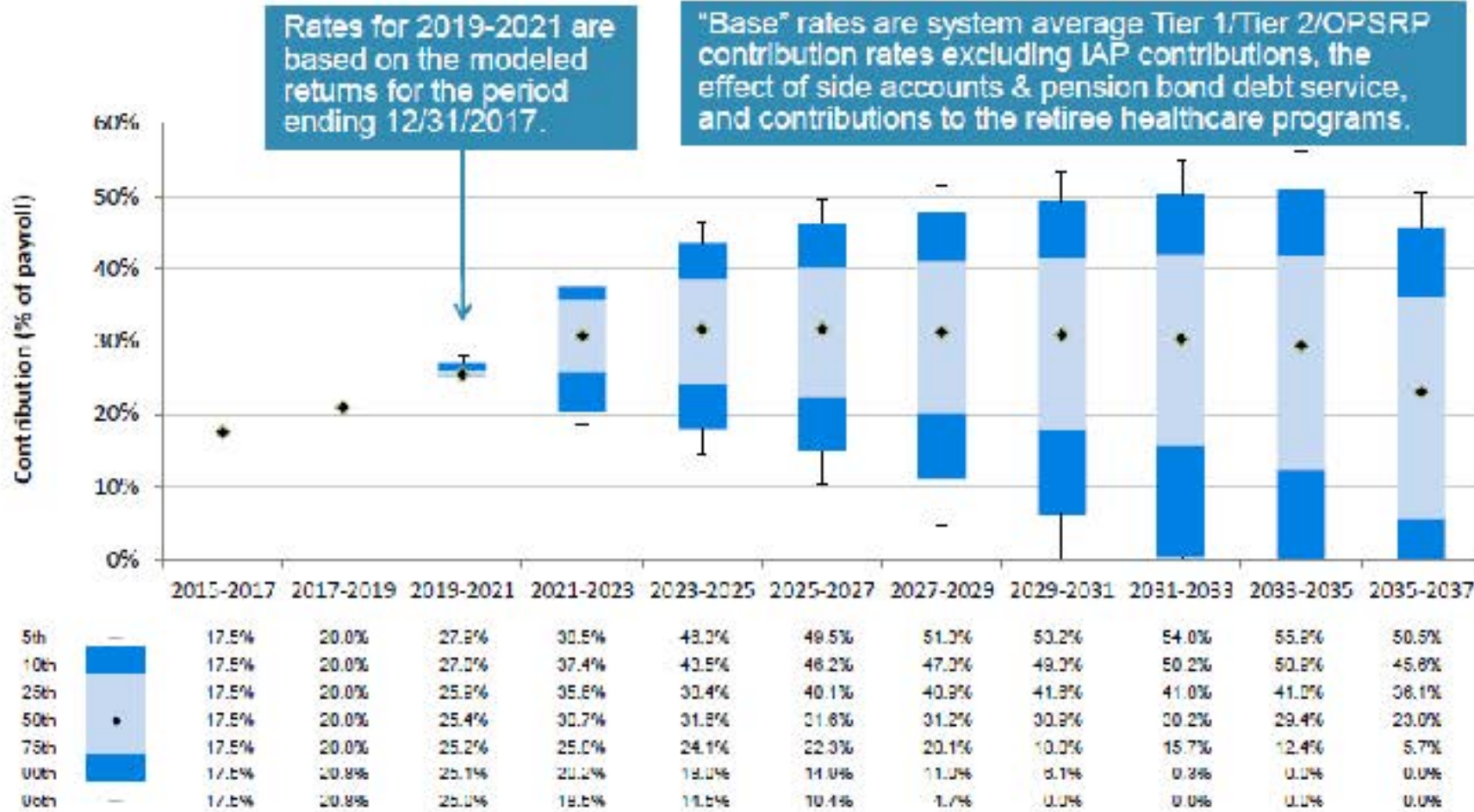
PERS distributes “Advisory” rates in the even numbered years. The table above represents what the rates effective July 1, 2019 would look like based on the results through December 2016 for the City and several other jurisdictions.



Assumption	Tier 1 / Tier 2	OPSRP General Services	OPSRP Police & Fire
PERS Advisory Rates	28.31%	19.31%	24.10%
Current Forecast Assumptions	26.88%	15.98%	21.70%
Five-Percent Assumption (<i>5% over current rates</i>)	26.07%	16.97%	21.74%

Gray area represents the range based on current assumptions; black represents current forecast rates

System Average Collared Base Contribution Rates



This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

Senate Bill 1566

- Established an Employer Incentive Fund for use with cash funded employer side accounts (up to 25% match). The fund is currently capitalized at \$25 million, although overall size and additional funding sources are not identified.
- Applications for funding are first come first served, but due by December 2019. It is unclear if a match would be retroactive if an employer chose to fund a cash funded side account before December 2019. PERS is currently working on administrative rules, scheduled for adoption in late fall 2018.
- Prioritization will be for employers who have a UAL that is more than 200% of payroll. As of the 2016 valuation, Salem is right at 215%. The 2017 valuation may drop us below 200%.

Cash Funded Side Account

- New rules allow for the establishment of a cash funded side account with as little as \$25,000. Employers can make additional deposits to these accounts up to 2 times per year.
- For the first deposit, rate relief would be reflected in current PERS rates within 1 month (immediate cash flow impact). Subsequent deposits would reduce UAL, but would not be reflected as rate relief until the next valuation rate setting period (delayed cash flow impact).
- Governor Brown issued a press release on June 4, 2018 calling on local governments to use the Comcast property tax settlement to pay down their PERS obligations. The Governor reached out to the mayors of Portland, Eugene, and Beaverton requesting their support.
- Setup requires analysis by the PERS actuary, Milliman. Pricing is expected to be \$1,000 for initial scenario, and \$250 per additional scenario.

Estimated Benefit of a Cash Funded Side Account (Based on Recently Released PERS Model)

Fund	FY 2019 Est. Payroll	Allocation	Contribution by Fund	Estimated Annual Relief
101 General Fund	60,459,984.27	0.63	631,132.50	47,750.12
155 Transportation	3,492,879.58	0.04	36,461.63	2,758.61
160 Airport	286,792.56	0.00	2,993.78	226.50
185 Building & Safety	1,869,911.12	0.02	19,519.72	1,476.82
310 Utility	21,648,533.71	0.23	225,985.72	17,097.59
320 EMS	241,422.72	0.00	2,520.17	190.67
330 WVCC	5,527,866.80	0.06	57,704.55	4,365.80
355 City Services	1,689,125.22	0.02	17,632.52	1,334.04
365 Self Insurance	579,508.83	0.01	6,049.40	457.68
Total	95,796,024.81	1.00	1,000,000.00	75,657.84

Estimated Benefit of a Cash Funded Side Account (Based on Recently Released PERS Model)

Fund	FY 2019 Est. Payroll	Allocation	Contribution by Fund	Estimated Annual Relief
101 General Fund	60,459,984.27	0.63	3,155,662.48	238,750.60
155 Transportation	3,492,879.58	0.04	182,308.17	13,793.04
160 Airport	286,792.56	0.00	14,968.92	1,132.52
185 Building & Safety	1,869,911.12	0.02	97,598.58	7,384.10
310 Utility	21,648,533.71	0.23	1,129,928.60	85,487.96
320 EMS	241,422.72	0.00	12,600.87	953.35
330 WVCC	5,527,866.80	0.06	288,522.77	21,829.01
355 City Services	1,689,125.22	0.02	88,162.59	6,670.19
365 Self Insurance	579,508.83	0.01	30,247.02	2,288.42
Total	95,796,024.81	1.00	5,000,000.00	378,289.19

Estimated Benefit of a Cash Funded Side Account (Based on Recently Released PERS Model)

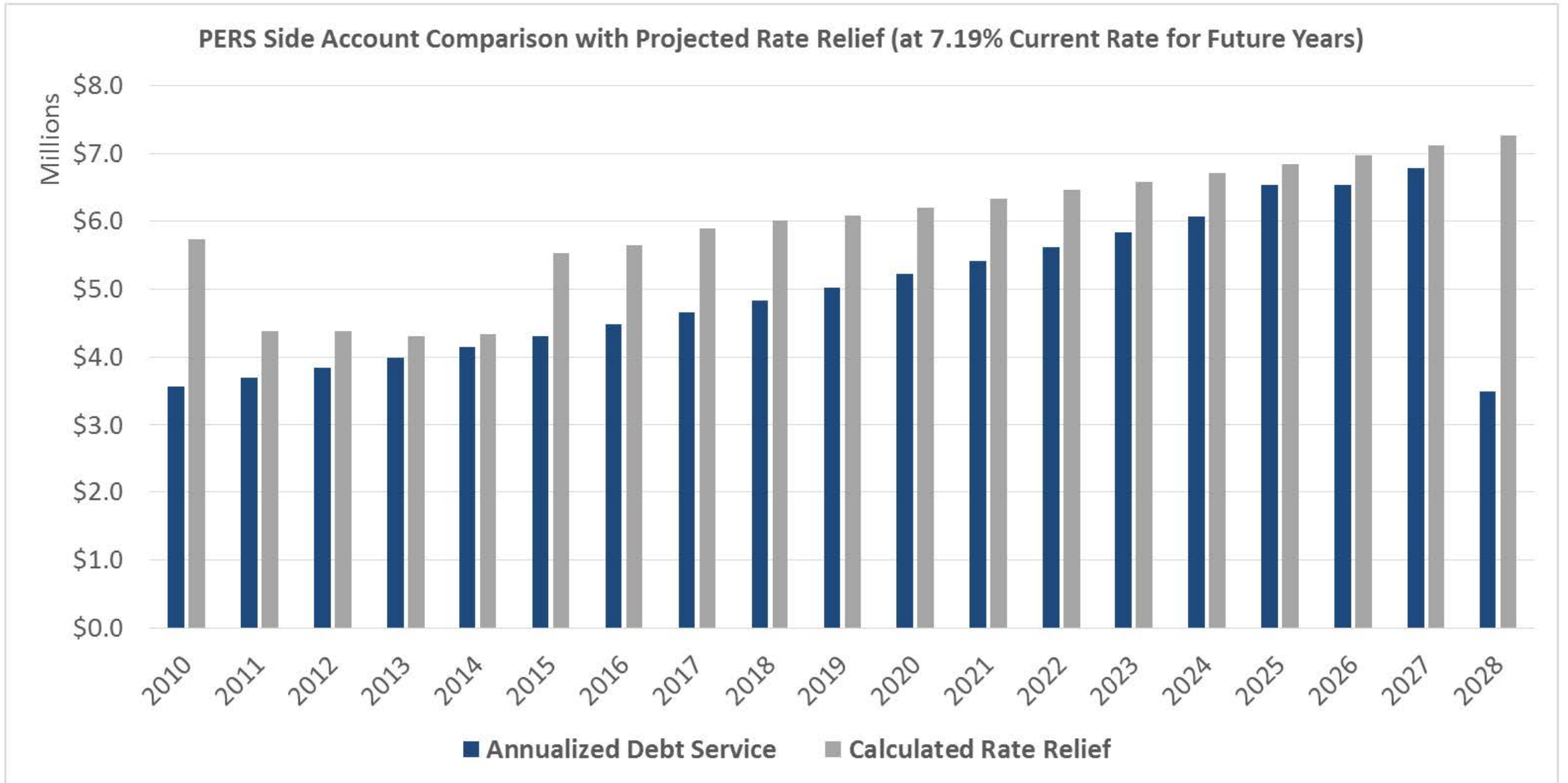
Fund	FY 2019 Est. Payroll	Allocation	Contribution by Fund	Estimated Annual Relief
101 General Fund	60,459,984.27	0.63	6,311,324.96	477,501.20
155 Transportation	3,492,879.58	0.04	364,616.34	27,586.08
160 Airport	286,792.56	0.00	29,937.84	2,265.03
185 Building & Safety	1,869,911.12	0.02	195,197.15	14,768.19
310 Utility	21,648,533.71	0.23	2,259,857.21	170,975.91
320 EMS	241,422.72	0.00	25,201.75	1,906.71
330 WVCC	5,527,866.80	0.06	577,045.53	43,658.02
355 City Services	1,689,125.22	0.02	176,325.19	13,340.38
365 Self Insurance	579,508.83	0.01	60,494.04	4,576.85
Total	95,796,024.81	1.00	10,000,000.00	756,578.39

Debt Funded Side Account

- Taxable debt with a Full Faith and Credit pledge (pension obligation bonds). Varying results based on structure, investment returns, and modeling assumptions (covered payroll growth, etc.)
- Transitions UAL from a “soft” liability to a “hard” liability. The Government Finance Officers Association (GFOA) has issued an advisory recommending that state and local governments do not issue pension obligation bonds.
- Rating agencies may not view an additional pension obligation bond as credit positive.

PERS Side Account Analysis - Savings Summary Based on Annual Valuation Results

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
PERS Covered Payroll	67,441,426	70,866,049	74,259,963	74,520,439	76,156,229	77,274,971	77,123,538	76,037,921	76,521,581	78,129,106	80,370,324	828,701,547
Rate Relief %	7.38%	6.53%	6.53%	7.52%	7.52%	5.67%	5.67%	5.66%	5.66%	7.08%	7.08%	
Calculated Rate Relief	4,977,177	4,627,553	4,849,176	5,603,937	5,726,948	4,381,491	4,372,905	4,303,746	4,331,121	5,531,541	5,690,219	54,395,814
Annualized Debt Service	4,677,306	4,462,242	3,296,911	3,421,758	3,559,515	3,694,340	3,835,546	3,987,103	4,143,057	4,311,150	4,480,530	43,869,458
PERS Administrative Expense	3,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	23,500
Total Expense	4,680,806	4,464,242	3,298,911	3,423,758	3,561,515	3,696,340	3,837,546	3,989,103	4,145,057	4,313,150	4,482,530	43,892,958
Difference (Savings)	296,371	163,311	1,550,264	2,180,179	2,165,434	685,150	535,359	314,643	186,065	1,218,390	1,207,689	10,502,856
Covered Payroll Growth Rate		5.08%	4.79%	0.35%	2.20%	1.47%	-0.20%	-1.41%	0.64%	2.10%	2.87%	1.79%



PERS Side Account Comparison with Projected Rate Relief (at 5% for Future Years)

