

**CITY OF SALEM
FINANCE DEPARTMENT**

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

Disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting or event, are available upon request. Sign language and interpreters for languages other than English are also available on request. To request such an accommodation or interpretation, contact the Finance Department at 503-588-6040 at least **two business days** before meeting; or TTD/TTY telephone (503) 588-6439, is also available 24/7.

**CITY OF SALEM AND SALEM URA
FINANCE COMMITTEE**

Committee Members

Councilor Tom Andersen, Chair
Councilor Virginia Stapleton
Councilor Trevor Phillips
Councilor Jose Gonzalez
Alternate-Councilor Jackie Leung

City Staff

Steve Powers, City Manager
Dan Atchison, City Attorney
Josh Eggleston, AIC Chief Financial Officer
Jenny Mattechek, Chief Accountant
Jeremy Morgan, Supervisor
Anja Hill, Treasury Supervisor
Kelli Blechschmidt, Management Analyst I
Shengnan Thomas, Administrative Analyst I

Guest

Lauren Brant, PFM Managing Director
David Reeser, CTP, EA, PFM Managing Director
Allison Kaune, PFM Senior Analyst

Next Scheduled Meeting: November 22, 2021

It is the City of Salem's policy to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity, and source of income, as provided by Salem Revised Code 97. The City also fully complies with Title VI of the Civil Rights Act of 1964, and related statutes and regulations, in all programs and activities.

MEETING AGENDA

Meeting Virtually

October 25, 2021

4:00 PM

View Via YouTube:

https://www.youtube.com/channel/UCQLi9RKZNHu4wfYcs_TC0TA

To sign up to testify via Zoom or to submit public comment, contact the Finance Department via email at finance@cityofsalem.net or telephone at 503-588-6040 by 1PM on October 25th, 2021.

1. Call to Order
2. Approval of Minutes
 - a. August 30, 2021 (Package page 2)
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
5. Management Update/Information Items
 - a. Policy C-7 Investment Review (Package page 4)
 - b. PFM Presentation (Package page 23)
 - c. Quarterly Investment Report (FY 2021-22 1st quarter) (Package page 58)
6. Continued Business
7. New Business
8. Adjournment

**Finance Committee of the Salem City Council and the Urban Renewal
Agency of the City of Salem
Minutes**

DATE: August 30, 2021

CHAIRPERSON: Tom Andersen

PLACE: Zoom

STAFF LIAISON:

Josh Eggleston

503-588-6130

JEggleston@cityofsalem.net

Members Present:

Chair Andersen
Councilor Stapleton
Councilor Phillips
Councilor Gonzalez

Members Absent:

Alternate-Councilor Leung

Staff Present:

Norman Wright, Community Development Director
Josh Eggleston, AIC Chief Financial Officer
Courtney Knox Busch, Strategic Initiatives Manager
Jenny Mattecheck, Chief Accountant
Jeremy Morgan, Accounting Supervisor
Kali Leinenbach, Senior Fiscal Analyst
Kelli Blechschmidt, Management Analyst I
Shengnan Thomas, Administrative Analyst I

1. CALL TO ORDER: 3:00 PM / Quorum

2. APPROVAL OF COMMITTEE MINUTES

a. July 26, 2021

Motion was moved by Member Stapleton, seconded by Member Phillips and carried by the following vote:

Aye: Unanimous

Nay: None

Abstentions: None

3. ACTION ITEMS

a. Priority Based Budgeting (PBB) Refresh.

Staff presented recommended changes to the current PBB descriptions and definitions. The Finance Committee workshopped these definitions by result area.

Strong and Diverse Economy

Questions or comments by: Chair Andersen, Member Stapleton, Member Phillips and Member Gonzalez

Responses by: Courtney Knox Busch, Strategic Initiatives Manager, Josh Eggleston, AIC Chief Financial Officer and Norman Wright, Community Development Director

Good Governance

Questions or comments by: Chair Andersen, Member Stapleton, Member Phillips and Member Gonzalez

Responses by: Josh Eggleston, AIC Chief Financial Officer and Courtney Knox Busch, Strategic Initiatives Manager

Natural Environment Stewardship

Questions or comments by: Chair Andersen, Member Stapleton, and Member Gonzalez

Responses by: Josh Eggleston, AIC Chief Financial Officer and Courtney Knox Busch, Strategic Initiatives Manager

Safe Community

Questions or comments by: Chair Andersen, Member Stapleton, Member Phillips and Member Gonzalez

Responses by: Norman Wright, Community Development Director, Josh Eggleston, AIC Chief Financial Officer and Courtney Knox Busch, Strategic Initiatives Manager

Safe, Reliable, and Efficient Infrastructure

Questions or comments by: Chair Andersen, Member Stapleton and Member Phillips

Responses by: Josh Eggleston, AIC Chief Financial Officer and Courtney Knox Busch, Strategic Initiatives Manager

Welcoming and Livable Community

Questions or comments by: Chair Andersen, Member Stapleton and Member Phillips

Responses by: Norman Wright, Community Development Director and Josh Eggleston, AIC Chief Financial Officer

Upon conclusion of the meeting, the Committee returned the adjusted definitions to staff to prepare for recommendation to the City Council.

4. ADJOURNMENT: 5:19 PM

The next meeting is scheduled for Monday, September 27, 2021 at 4:00PM.

**FOR COMMITTEE MEETING OF: OCTOBER 25, 2021
AGENDA ITEM NO.: 5a**

TO: Salem City Council and Salem Urban Renewal Agency Finance Committee

FROM: Josh Eggleston, AIC Chief Financial Officer

SUBJECT: Policy C-7 Investment Review

ISSUE:

Review of Council Policy C-7 to provide Finance Committee information on the City's financial investments.

RECOMMENDATION:

Information only.

SUMMARY:

During the July 2021 meeting, the Finance Committee inquired about the City's investment policy and specifically if there was any guidance on what companies in which the City invested. Staff has reviewed our current investment policy, has spoken with our investment advisor (PFM Asset Management LLC) and have reviewed the investment policies from several other Oregon municipalities.

FACTS AND FINDINGS:

Limitations

Oregon Revised Statutes (ORS) 294.035 limits how much of a local government's portfolio can be invested in corporate indebtedness (including corporate notes and commercial paper) to 35%. Further, local governments can only have 5 percent of this category invested into any one company. As of September 30, 2021, the City has 11.8 percent of its portfolio invested in short and medium-term corporate notes spread over 12 separate companies.

The City is also limited by state statute to invest in companies with a rating of at least P-1 or Aa3 by Moody's Investors Service, A-1 or AA- by S&P Global Ratings, or A-1 or AA- by Fitch Ratings, or an equivalent rating by any nationally recognized statistical rating organization. However, if "a business is headquartered in Oregon, employs more than 50% of its permanent workforce in Oregon or has 50% or more of their tangible assets" [ORS 294.035 (3) (h)] then the rating requirements can be slightly lowered. Depending on the investment type, (e.g. bonds) there are additional limitations at the Federal level through agencies such as Securities and Exchange Commission and legislation like the Securities Act of 1933.

ORS does not include requirements or restrictions based on an issuer's ethical or

environmental standards.

Comparable Cities

Staff looked at the following Cities investment policies: Albany, Bend, Corvallis, Eugene, Medford and Portland. Staff analyzed these policies for: ethical standards for companies, climate impacts, and if the policy had any specification of companies a City could invest.

As a matter of fiscal responsibility, a city's basic objectives for investments are safety – protecting assets from loss, liquidity – ensuring funds are accessible for cash flow needs, and yield – maximizing investment return so long as the first two objectives are met. These objectives are a standard for a City to make the smartest and safest investment of public funds in order to continue providing the essential services on which the community depends. The investment policies of the evaluated cities all included some form of Salem's investment objectives of safety, liquidity and yield. Additionally, some Cities like Corvallis and Bend have objectives like legality and portfolio diversification respectively. The City of Salem policy also includes these elements, but they are categorized within the safety objective.

Of the cities reviewed, only Eugene and Portland have particular guidelines or companies in which they can or cannot invest beyond what is in state and federal law. The City of Eugene adopted a resolution in 2014 which does not allow direct investment in the top 200 fossil fuel companies. The City of Portland also limits the companies in which they can invest by listing companies in their investment policy from which their financial advisor and staff can choose to invest for commercial paper. It is not clear from reading the policy how or why these particular companies were selected. Some of the companies on this list includes: Apple, Colgate-Palmolive, Johnson & Johnson, Alphabet Inc. (Google), Microsoft, Nike and Procter & Gamble. In prior years, the list also included Merck, Coca-Cola Co., 3M, Eli Lilly and Toyota. For all the other cities, ethics are mentioned in their investment policies regarding employees and custodians of the funds, but there are no standards of ethics for companies in which a city invests.

Environmental, Social and Governance Factors (ESG)

The City's investment advisor has familiarity with local jurisdictions across the nation that have implemented an Environmental, Social and Governance (ESG) factor review when making investments on behalf of the jurisdiction. After speaking with a jurisdiction about their ESG investment objectives, they will customize the portfolio and establish parameters for ESG investing. Companies to be considered appropriate for investment must meet the ORS requirements before they can be considered within ESG investment parameters. PFM uses an ESG risk rating system which evaluates for how companies limit their environmental impact, protect data, it's treatment of employees and more. Ongoing maintenance of the portfolio includes the consistent updating and review of these ESG factors, much like the current practice of monitoring a company's fiscal

performance that currently takes place.

There are two main methodologies for ESG investments: using the ESG risk rating system or the exclusion of particular industries or sub-industries.. By using the ESG risk rating system as described by PFM, investments would be more easily managed as companies shift in their ESG rating and provide flexibility for staff and our investment advisor to make advantageous and timely changes to the portfolio. The ESG risk rating system itself could be adjusted to provide more specificity without directly limiting the companies which the City can or cannot invest. PFM staff will be available to discuss the City's portfolio, ESG generally and risk rating during the Finance Committee's October 25, 2021 meeting.

BACKGROUND:

The City's investment policy was last updated March, 2018. Staff will be returning with some recommended changes to the policy, such as the titles of officials, at a future date.

Attachments

1. City of Salem - Council Policy C-7
2. Fix Income ESG Investment Solution Sheet – provided by PFM

COUNCIL POLICY NO. C-7

TITLE: INVESTMENT POLICY AND PORTFOLIO GUIDELINES

POLICY: See attached.

REFERENCE: City Council Finance Committee Report dated 10/25/21, Agenda Item No. 5a
(Supplants Amendment adopted 2/8/16 by Resolution No. 2016-6, Finance
Division Staff Report 11/16/15 (Item 3(a))

**CITY OF SALEM INVESTMENT POLICY
OCTOBER 2021**

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CITY OF SALEM

INVESTMENT POLICY AND PORTFOLIO GUIDELINES

The purpose of this Investment Policy (Policy) is to establish investment objectives, provide guidelines, and set forth responsibilities and reporting procedures necessary for the prudent management and investment of the funds of the City of Salem and its component units (the City). Financial terms can be found in **Appendix I –Glossary**.

I. Scope

This Policy applies to the activities of the City of Salem with regard to the consolidated investment of short-term operating funds, reserves, and capital funds, including bond proceeds and bond reserve funds held by the City. Balances in checking accounts, negotiable order of withdrawal (NOW) accounts, investments of employees' retirement funds, and deferred compensation plans are not covered by this Policy.

II. Delegation of Authority

The fiduciary responsibility and authority for the investment of City funds resides with the City Council. The City hereby designates the Financial Operations Manager as the Custodial Officer for the City's funds. The Custodial Officer shall be responsible for the operation of the investment program and shall act in accordance with ORS Chapter 294, Public Financial Administration, and written procedures and internal controls for the operation of the investment program that are consistent with this Policy. This Policy shall constitute a "written order" from the City Council per ORS 294.035.

The Custodial Officer, with the consent of the City Manager, may further delegate the authority to invest City funds to additional City Finance personnel listed in **Appendix II** of this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and procedures established by the Custodial Officer. The Custodial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of delegees and other subordinate officials with access to the funds subject to this Policy.

III. General Objectives

The investment objectives of this Policy and their priority are: (1) safety; (2) liquidity; and (3) yield.

1. **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to remain compliant with applicable laws and to mitigate Credit Risk, Interest Rate Risk, and Custodial Risk.
 - a. **Legality.** All funds within the scope of this Policy are subject to regulations established by the State of Oregon; specifically ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810.
 - b. **Credit Risk.** The City will minimize the risk of loss by:
 - Limiting exposure to poor credits.
 - Pre-qualifying the financial institutions, Broker-Dealers, intermediaries, and advisers with which the City will do business.
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

- Actively monitoring the investment portfolio holdings for ratings changes, changing economic/market conditions, etc.
- c. **Interest Rate Risk.** The City will minimize the risk that the Market Value of securities in the portfolio will fall due to changes in general interest rates, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity.
 - Investing the City's funds primarily in 0 to 5 year securities and overnight funds.
 - d. **Custodial Risk.** The City will minimize Custodial Risk by placing its securities with a third-party custodian, who will hold the securities in the City's name, as evidenced by the safekeeping contract and monthly statements.
2. **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by:
 - Maintaining appropriate balances in investment vehicles that provide overnight liquidity; and
 - Structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands where possible and prudent.
 3. **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Securities shall not be sold prior to maturity with the following exceptions:
 - A security with declining credit may be sold early to minimize loss of principal.
 - A security trade will improve the quality, yield, or target duration in the portfolio.
 - Liquidity needs of the portfolio require that the security be sold.

IV. Standards of Care; Ethics; Internal Controls

1. **Prudence.** The standard of care to be used by the Custodial Officer and Custodial Officer's designees shall be the "prudent investor" standard and shall be applied in the context of managing all aspects of the portfolio.

The "prudent investor" standard requires investments to be made with judgment and care, under circumstances, then prevailing. The standard requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.

The Custodial Officer (Oregon Revised Statutes 294.004 (2)) and the Custodial Officer's designees acting in accordance with the prudent investor standard, this Policy, written policies and procedures ORS 294.035 and 294.040 and exercising due diligence, shall be relieved of personal responsibility for an individual security's Credit Risk or market price change or other loss in accordance with ORS 294.047, provided these deviations and losses are reported in a timely fashion and actions are taken to control adverse developments in accordance with this Policy.

2. **Ethics and Conflicts of Interest.** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper

execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose in writing to the Custodial Officer any material interests in financial institutions that conduct business with the City. They shall further disclose in writing annually to the Custodial Officer any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with ORS Chapter 244, Salem Revised Code, Chapter 12, and Human Resource Rule Section 8.2 (m).

3. **Internal Controls.** The Custodial Officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of the City from loss, theft, or misuse. The concept of "reasonable protection" recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by the Custodial Officer. Accordingly, the Custodial Officer shall establish a process for an annual independent review by an external auditor to assure compliance with this Policy and the internal controls established by the Custodial Officer. The internal controls should address the following points:

- o Control of collusion
- o Separation of transaction authority from accounting and record keeping
- o Confirmation of transactions for investments and wire transfers
- o Custodial safekeeping
- o Avoidance of physical delivery of securities whenever possible
- o Address control requirements for physical delivery where necessary
- o Clear delegation of authority to subordinate staff members
- o Development of a wire transfer agreement with the lead bank and third-party custodian and implementation of the appropriate safeguards
- o Compliance and oversight with investment parameters including diversification and maximum maturities
- o Staff training
- o List of approved Brokers-Dealers, safekeeping and financial institutions

V. Authorized Financial Institutions, Brokers-Dealers, Investment Advisers, and Depositories

1. **Authorized Financial Institutions and Brokers-Dealers.** The Custodial Officer shall maintain a list of financial institutions and brokers/dealers authorized to provide investment services. The list of approved financial institutions and brokers/dealers shall be selected through a process that ensures due diligence in the selection process. Financial institutions and brokers/dealers may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Regional brokers and dealers must have an office in Oregon in order to be considered for doing business with the City. The City will limit all security purchases to financial institutions and brokers/dealers on the approved list. Additions or deletions from the list shall be made at the Custodial Officer's discretion.

All financial institutions and Brokers-Dealers who desire to be considered for investment transactions, must supply the following, in writing (electronic delivery is acceptable):

- Audited financial statements
- Proof of Financial Industry Regulatory Authority, Inc (FINRA) registration

- Proof of state licensing
- Completed Broker-Dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City's investment Policy
- Evidence of adequate insurance coverage

An annual review of the financial condition and registration of financial institutions and brokers/dealers on the list shall be conducted by the Custodial Officer.

If the City utilizes an external investment adviser, the adviser is authorized to transact with its own approved Broker-Dealer list on behalf of the City. The adviser will perform all due diligence for the Brokers-Dealers on its approved list. The adviser will annually provide the City their approved Broker-Dealer list so that the Custodial Officer may conduct its own review.

2. **Investment Adviser.** The Custodial Officer may engage the services of an external investment adviser to assist in the management of the City's investment portfolio. All investment transactions executed by the external investment adviser on behalf of the City must be consistent with this Policy and be pre-approved in writing by the Custodial Officer.

A list will be maintained of approved external investment advisers selected by the Custodial Officer using a fair selection process. An annual review of all external investment advisers shall be conducted by the Custodial Officer to determine their continued eligibility with the requirements below. All investment advisers shall:

- a. Be registered with the Securities and Exchange Commission (SEC) or licensed by the State of Oregon; (Note: Investment adviser firms with assets under management > \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon).
- b. Have certified that all of the representatives of the investment adviser who conduct investment transactions on behalf of this entity have read, understood and agreed to comply with this Policy.

If the City uses an external investment adviser, the adviser is authorized to enter into transactions with its own approved Broker-Dealer list on behalf of the City. The adviser shall perform all due diligence for all brokers/dealers on its approved list. The external investment adviser shall annually provide the City its approved Broker-Dealer list so that the Custodial Officer may conduct his or her own review.

3. **Delivery vs. Payment (DVP).** The Custodial Officer shall not pay for/deliver any securities until the Custodial Officer has received sufficient evidence of title/funding to the securities. Evidence of title must be consistent with modern investment, banking and commercial practices as specified in ORS 294.145 (4) and (5).
4. **Safekeeping.** Securities shall be held by an independent third-party safekeeping institution selected by the Custodial Officer. The Custodial Officer shall maintain a list of safekeeping institutions eligible to conduct business with the City. The safekeeping institution shall, upon request, provide a copy of its most recent Service Organization Control Report (SOC1 Report)

VI. Authorized Investments

1. *Investment Types.* The following securities are permitted under this Policy as allowed by ORS 294.035 and 294.810. If additional types of securities become eligible for investment under Oregon law, investment in such securities shall not be permitted until this Policy has been amended.
 - a. **U.S. Treasury and Government Agency Obligations.** Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government and obligations whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government.
 - b. **Oregon Short-Term Fund (OSTF)/Local Government Investment Pool (LGIP).** Oregon managed portfolio offered to governmental entities for the investment of public funds.
 - c. **Repurchase Agreements.** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date. As provided in ORS 294.035(3)(j), only U.S. treasury obligations and government agency issues described in paragraph (a) of this subsection that are limited in maturity to three years and priced according to percentages prescribed by written Policy of the Oregon Investment Council or the Oregon Short-Term Fund Board may be used in conjunction with a Repurchase Agreement.
 - d. **Bankers' Acceptances.** A draft or bill of exchange drawn upon and accepted by a bank. Used as a short-term credit instrument, Bankers' Acceptances are traded at a Discount from face value as a money market instrument on the basis of the credit quality of the guaranteeing bank. Bankers acceptances must be: (i) Guaranteed by, and carried on the books of, a qualified financial institution; (ii) Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.
 - e. **Corporate Indebtedness.** Commercial Paper and Medium Term Corporate Notes subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Corporate indebtedness described in this paragraph does not include bankers acceptances. The corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution, including a holding company owning a majority interest in a qualified financial institution.
 - g. **Municipal Debt.**
 - i. Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A-, or an equivalent rating or better, or are rated on the settlement date in the highest category for short-term municipal debt by a Nationally Recognized Statistical Rating Organization.
 - ii. Lawfully issued debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA- or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a Nationally Recognized Statistical Rating Organization.

Bonds described in this subsection may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district or city, for a period of five years next preceding the date of the investment.

h. Time Deposit Accounts, Certificates of Deposit, and Deposit Accounts.

- i. Deposits in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the insured institution or credit union maintains a head office or a branch in Oregon.
- ii. Certificates of Deposit placed through deposit placement services, such as the Certificate of Deposit Account Registry Service (CDARS), are allowable so long as they comply with the requirements under ORS 295.004.

2. Percentage of Investments, Maximum Maturity, and Credit Ratings by Type.

Portfolio percentages shall be based on the Market Value of the investments at time of purchase. The maximum portfolio percentages for investments of surplus funds are as follows:

Security	Maximum % of Total Portfolio	Maximum Maturity	Credit Requirements
US Treasury Obligations	Up to 100 %	5 years	-
US Government Agency and Instrumentality Issues	Up to 100 % and 33 % per issuer	5 years	-
OSTF/LGIP	Statutory Limit (ORS 294.810)	-	-
Repurchase Agreements	Up to 10 % and 5 % per issuer	90 days	Collateral securing repo and margin requirements
Bankers' Acceptances	Up to 20 % and 10 % per issuer	6 months	A-1/P-1
Medium Term Corporate Notes*	Up to 35% and 5% per issuer	5 years	AA- or equivalent or better, or A or equivalent or better if the issuer meets the requirements of ORS 294.035(3)(i)(C)(i)(ii)
Commercial Paper		270 days	A-1/P-1 or better, or A-2/P-2 or better if the issuer is meets the requirements of ORS 294.035(3)(i)(C)(i)(ii)
Municipal Debt	Up to 10 % and 10% per issuer	5 years	Oregon: A- or equivalent or better, or A-1 or equivalent or better. CA, WA, ID: AA- or equivalent or better, or A-1 or equivalent or better
Time Deposit Accounts (CDs)	Up to 25 % and 10 % per issuer	2 years	Collateral requirements per ORS Chapter 295

Deposit Accounts	Up to 100%	-	Collateral requirements per ORS Chapter 295
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The maximum percent of Callable Securities in the portfolio shall be 25%.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular investment type may be exceeded at a point in time subsequent to the purchase of a specific security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to liquidation of that security when future liquidations are made.

3. **Credit Ratings.** Investments must have a rating from at least one Nationally Recognized Statistical Ratings Organizations, including, but not limited to, Moody's, Standard & Poor's, or Fitch Ratings Service.
 - a. The minimum weighted average credit rating of the portfolio's rated investments shall be in the categories of "Aa" by Moody's Investors Service; "AA" by Standard & Poor's; and "AA" by Fitch Ratings Service. Credit rating levels apply to the security on the transaction's settlement date.
 - b. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Custodial Officer shall evaluate the downgrade on a case-by-case basis and determine whether the security should be held or sold. The Custodial Officer shall apply the general objectives of safety, liquidity, and yield in making such determination. That determination shall be documented in the quarterly report.

4. **Collateralization.** Cash management tools, defined as bank deposits, time deposits, Certificates of Deposit, and savings accounts, shall be held in qualified Oregon depositories which have met Oregon's Collateralization requirements per ORS Chapter 295. The Custodial Officer is responsible for the quarterly review of the State or Oregon's Approved Banking Institution list to ensure that banks in which such deposits and accounts are being held are on the approved list. The State of Oregon must be notified of changes in banking institutions.

VII. Investment Parameters

1. **Diversification.** Investments shall be diversified by:
 - o Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding government securities).
 - o Limiting investment in securities that have high credit or interest risks.
 - o Investing in securities with varying maturities.
 - o Continuously investing a portion of the portfolio in readily available funds such as the OSTF/LGIP.

2. **Liquidity Requirements and Maturity Limits.** At all times, the City will maintain a minimum amount of funds to meet liquidity needs for the next three months. Unless matched to a specific cash flow requirement, the City shall not invest in securities maturing more than five years from the date of settlement. The Weighted Average Maturity of the City's portfolio shall at no time exceed 2.5 years.

3. **Bond Covenant Restrictions.** The investment of bond proceeds are restricted under bond covenants and tax laws that may be more limiting than this Policy. Bond proceeds shall be invested in accordance with the most restrictive parameters of this Policy and the applicable bond covenants and tax laws.

4. **Bids and Offers.** Each investment transaction shall be competitively transacted with financial institutions or Brokers-Dealers on the approved list. The Custodial Officer shall maintain a transaction record of each investment transaction. Competitive bids or offers should be obtained, when possible, from at least three financial institutions or Brokers-Dealers. In the event competitive bids or offers are not sought, the decision to do so shall be documented by the Custodial Officer. If the Custodial Officer uses an investment adviser, the investment adviser must retain documentation of competitive pricing execution on each transaction and provide such documentation to the Custodial Officer upon request.
5. **Settlement Restrictions.** Pursuant to ORS 294.145, the Custodial Officer is prohibited from making a commitment to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement of the purchase or sale transaction.
6. **Compliance Maintenance and Monitoring.** Compliance with this Policy shall be maintained and be integral to each investment decision. Compliance status shall be reported to the Finance Committee at least quarterly, as described in Section IX. Out of compliance instances shall be reported to the Custodial Officer in a timely manner. The Custodial Officer shall determine the cure for non-compliance that is in the best interest of the City. Such action may include holding the investment to maturity, liquidating the investment, reversing the purchase, or adjusting future allowable investments until compliance is achieved.

VIII. Prohibited Investments

Investment in the following securities is prohibited:

1. Private placement of "144A" securities. "144A" securities include Commercial Paper issued under Section 4(2)144A (also known as "4(2)A" of the Securities Act of 1933).
2. The City shall not lend securities nor directly participate in a securities lending program.
3. Reverse Repurchase Agreements.
4. Mortgage-backed securities.
5. Stock in any joint company, corporation or association.

IX. Reporting and Performance Standards

1. **Methods.** Except where legally required to hold separate funds, the City will consolidate cash balances from all funds to maximize investment earnings. Net investment income will be allocated to the various funds at least quarterly based on their respective cash balances and in accordance with generally accepted accounting principles.

The Custodial Officer shall review a monthly investment management report that provides an analysis of the status of the current investment portfolio and transactions made over the last month. The report shall be provided to the Custodial Officer within a reasonable time after the previous reporting period end and shall include the following:

- List of transactions occurring during the reporting period
- List of individual securities held at the end of the reporting period, including security type, maturity date and call date
- Percentage of the total portfolio that each type of investment represents
- Weighted Average Maturity of the portfolio

The Custodial Officer shall provide a quarterly investment report to the Finance Committee, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. The report shall be provided within a reasonable time after the quarter end and shall include everything contained in the monthly report and the following:

- Status of compliance with this Policy
 - Book yield during the reporting period
 - Market value of portfolio holdings at the end of the reporting period
 - Performance of the portfolio relative to benchmark(s), as appropriate
2. **Performance Standards.** The investment portfolio shall be managed in accordance with this Policy. The Custodial Officer shall establish an appropriate benchmark or benchmarks, as appropriate, for investment parameters that reflects the types and maturities of investment allowed under this Policy. The Custodial Officer shall compare portfolio performance to the benchmark or benchmarks on a quarterly basis. It is anticipated the portfolio should attain a benchmark average rate of return over time. Factors influencing performance deviations shall be described by the Custodial Officer in the quarterly reports to the Finance Committee.

X. Policy Adoption and Re-adoption

1. This Policy may be reviewed by the vote of a majority of the Finance Committee. Changes shall be adopted by the City Council as amendments to this Policy. The data contained in the appendices to this Policy may be updated by the Custodial Officer as necessary, provided the changes in no way affect the substance or intent of this Policy.
2. OSTF Board review shall be requested for any material changes (e.g. changes in investment parameters, portfolio Duration, compliance issues, etc.) to this Policy.

Appendix I – Glossary

Bankers Acceptances: A draft or bill of exchange drawn upon and accepted by a bank. Appropriate if guaranteed by, and carried on the books of, a qualified financial institution; eligible for Discount by the Federal Reserve System; and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more Nationally Recognized Statistical Rating Organizations (NRSRO).

Brokers-Dealers: A bank or securities Broker-Dealer that is permitted to trade directly with the Federal Reserve System. Such firms are required to make bids or offers when the Federal Reserve System conducts open market operations, provide information to the Federal Reserve System's open market trading desk, and to participate actively in Treasury auctions.

Bullet Notes/Bonds: Notes or Bonds that have a single maturity date and are non-callable.

Callable Securities: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Certificates of Deposits (CD): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC up to \$250,000. The term of a CD generally ranges from one month to five years.

Certificate of Deposit Account Registry Service (CDARS): A private service that breaks up large deposits (from individuals, companies, nonprofits, public funds, etc.) and places them across a network of banks and savings associations around the United States. Allows depositors to deal with a single bank that participates in CDARS but avoid having funds above the FDIC deposit insurance limits in any one bank.

Collateralization: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper: Short term unsecured promissory note issued by a company or financial institution. Issued at a Discount and matures for Par or face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more NRSROs.

Coupon Rate: Annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Risk: Credit Risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt.

Custodial Officer: The City has designated the Financial Operations Manager as the Custodial Officer for the City's funds.

Custodial Risk: Custodial Risk, or Custodial Credit Risk, is the risk of loss associated with the counter-party's (any entity that obtained the investment on a public entity's behalf) failure.

Discount: The amount by which the Par Value of a security exceeds the price paid for the security.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. The Duration of a security is a useful indicator of its price volatility for a given change in interest rates.

Government-Sponsored Enterprise: A privately owned entity subject to federal regulation and supervision that was created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S.

Government. For this reason, these securities typically offer a yield premium over Treasuries. Examples of GSEs include: Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal Farm Credit Bank (FFCB), and Federal National Mortgage Association ("FNMA").

Interest Rate Risk: The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Liquidity Risk: Liquidity Risk is the risk that an investment may not be easily marketable or redeemable.

Local Government Investment Pool (LGIP): The state or Local Government Investment Pool offered to public entities for the investment of public funds.

Market Value: Current market price of a security.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. Designated NRSROs include, but are not limited to, Standard & Poor's, Fitch, and Moody's.

Oregon Short-Term Fund (OSTF): A Local Government Investment Pool organized pursuant to ORS 294.805 through 294.895. Participation in the pool will not exceed the maximum limit annually set by ORS 294.810.

Par Value: Face value, stated value or maturity value of a security.

Repurchase Agreements: An agreement whereby the Custodial Officer purchases securities from a financial institution or securities dealer subject to an agreement by the seller to repurchase the securities. The Repurchase Agreement must be in writing and executed in advance of the initial purchase of the securities that are the subject of the Repurchase Agreement.

Secondary Market: Markets for the purchase and sale of any previously issued financial instrument.

Treasury Bills (T-Bills): Short-term direct obligations of the United States Government issued with an original term of one year or less. Treasury Bills are sold at a Discount from face value and do not pay interest before maturity.

Treasury Bonds (T-Bonds): Long-term interest-bearing debt securities backed by the U.S. Government and issued with maturities of ten years and longer by the U.S. Department of the Treasury.

Treasury Notes (T-Notes): Intermediate interest-bearing debt securities backed by the U.S. Government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury.

Weighted Average Maturity (WAM): The average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio.

Yield to Maturity (YTM at Cost): The percentage rate of return paid if the security is held to its maturity date at the original time of purchase. The calculation is based on the Coupon Rate, length of time to maturity and original price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate. The Yield at Cost on a security remains the same while held as an investment.

Appendix II: Authorized Finance Staff by Title

Financial Operations Manager

Deputy City Manager

Financial Reporting Manager

Treasury Supervisor

Accounting Supervisor



Fixed Income ESG Investment Solution

A growing number of investors are integrating measurable non-financial environmental, social, and governance factors (ESG) into the investment decision making process. According to the Forum for Sustainable and Responsible Investment (US SIF), assets that incorporate ESG factors into the investment process totaled \$12 trillion in 2018, a 38% increase over two years.¹



Why are a growing number of investors integrating ESG into their investment process? Reasons include:

- ◆ The alignment of investment objectives with investor values
- ◆ Investor impact on the environment
- ◆ Mitigating risk exposure by rewarding issuers that maintain lower ESG risk exposure
- ◆ Seeking to increase investment returns by emphasizing issuers with lower ESG risk
- ◆ Addressing concerns raised by stakeholders

The Challenges of Implementing ESG Solutions

Implementing and managing an ESG focused investment strategy has its challenges. These challenges should be carefully considered during the evaluating and planning process. Some of these challenges include:

- ◆ **Defining ESG.** There is no commonly accepted definition for ESG or industry consistent method of how to objectively apply ESG principles.
- ◆ **Limited investment universe.** In addition to investment policy constraints, eligible investments may be further limited by investors' ESG parameters.
- ◆ **Potential opportunity costs.** Integrating ESG requirements into the investment process may reduce investment opportunities and may impact investment return potential.
- ◆ **Implementation & ongoing management.** Monitoring compliance with ESG parameters may require additional resources, data sources and reporting.

Our Solution: A Customizable and Flexible Approach

PFM has developed an investment approach to help our clients implement ESG principles into their investment process and to manage ESG compliance. Our approach provides clients with the tools and methodology to implement a customized ESG fixed income investment solution aligned with its unique objectives.

¹ US SIF Foundation's biennial Report on US Sustainable, Responsible and Impact Investing Trends, October 31, 2018. Accessed August 24, 2019, <https://www.ussif.org/files/US%20SIF%20Trends%20Report%202018%20Release.pdf>.



This approach offers many advantages, including:

- Flexibility and customization
- Transparent, practical, not overly complicated
- “Rules-based” methodology eliminates ambiguity
- Client definition and application of ESG
- Compliance monitoring with investment policy requirements
- Direct ownership of securities
- In-depth investment reporting and analysis

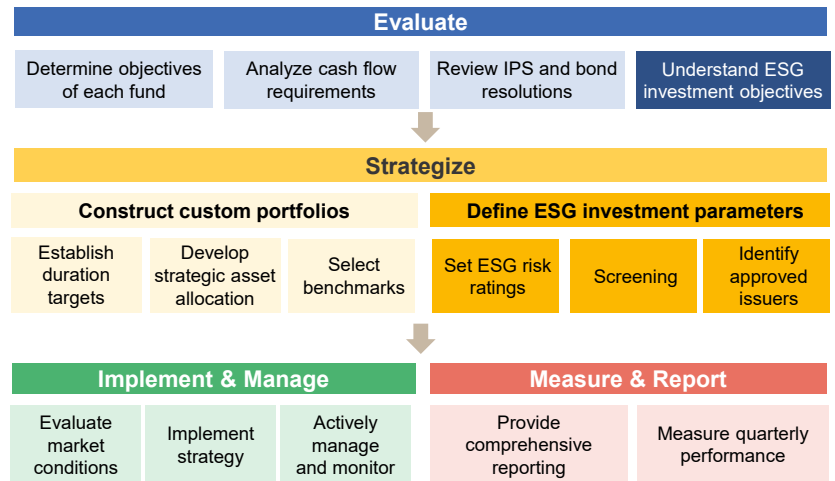
ESG Investment Strategies

Our approach is to implement an investment strategy based on our clients’ ESG objectives. We offer the potential for further customization through a range of screening tools, which allow our clients to exclude specific issuers or industries based on defined criteria.

Once ESG objectives are defined, we work with our clients to evaluate investment strategies based on their ESG investment parameters. Investment parameters are applied using an ESG risk rating system and other evaluation tools. The risk rating

system is designed to objectively quantify an issuer’s ESG risk from both an industry and issuer-specific standpoint. Much like traditional credit ratings, the risk rating system provides a basis to evaluate issuers on a consistent basis and facilitates direct comparisons across industries and issuers.

Examples of potential ESG investment strategies are provided below:



ESG Investment Strategy	Strategy Description
Quantitatively Focused	To be included in the portfolio, issuers would be required to maintain an ESG risk rating that is below a specified threshold.
Quantitatively Focused + Additional Exclusions	To be included in the portfolio, issuers would be required to maintain an ESG risk rating below a specified threshold, with additional issuers or industries excluded based on investor preference or specific screening criteria.

Conclusion

Investment in ESG strategies is likely to continue to grow, and offers both benefits and challenges for investors. PFM can offer a robust and customized investment strategy to help our clients navigate ESG investment options aligned with their needs. For more information on how we can help you incorporate your ESG goals into your investment program, please contact us.

213 Market Street
Harrisburg, PA 17101

717.232.2723
pfm.com

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City of Salem, Oregon

Presentation to the Finance Committee

Presented by:

Lauren Brant, Managing Director

Allison Kaune, Sr. Analyst

David Reeser, Managing Director

October 25, 2021

PFM Asset Management
LLC

650 NE Holladay St
Suite 1600
Portland, OR 97232

503.837.8445
pfm.com



Agenda

- ◆ Introduction to PFM Asset Management
- ◆ Portfolio Update
- ◆ ESG Investing & Considerations



Introduction to PFM Asset Management LLC



PFM Is a National Leader in Managing Public Funds

41 years

public sector experience

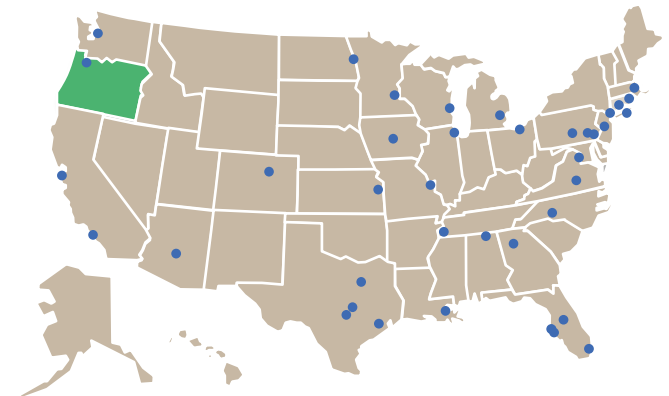
254

total professionals

- Experience with Oregon Revised Statutes
- Seasoned team dedicated to managing investment-grade, short-duration fixed income
- Strong record of success generating performance with an emphasis on downside protection
- Robust credit capabilities, with approved universe of over 80 issuers that comply with Statutes
- Beyond investments, diversity, equity, and inclusion are foundational to the firm's success
- **Have partnered with the City of Salem since 2012**

\$170b

TOTAL ASSETS NATIONWIDE



As of June 30, 2021, PFM Asset Management LLC had \$170.3 billion in total assets, including \$125.9 billion in discretionary assets under management and \$44.4 billion in non-discretionary assets under advisement.



Your PFMAM Relationship Team



Lauren Brant

Managing Director
Engagement Oversight
26 years in the industry/PFM



Allison Kaune

Sr. Analyst
Engagement Support
15 years in the industry/PFM



Bob Cheddar, CFA

Managing Director
Portfolio Manager
23 in the industry
17 years at PFM



Jeremy King

Key Account Manager
Client Support
15 years in the industry
8 years at PFM

*The City's
Experienced and
Stable Relationship
Team*

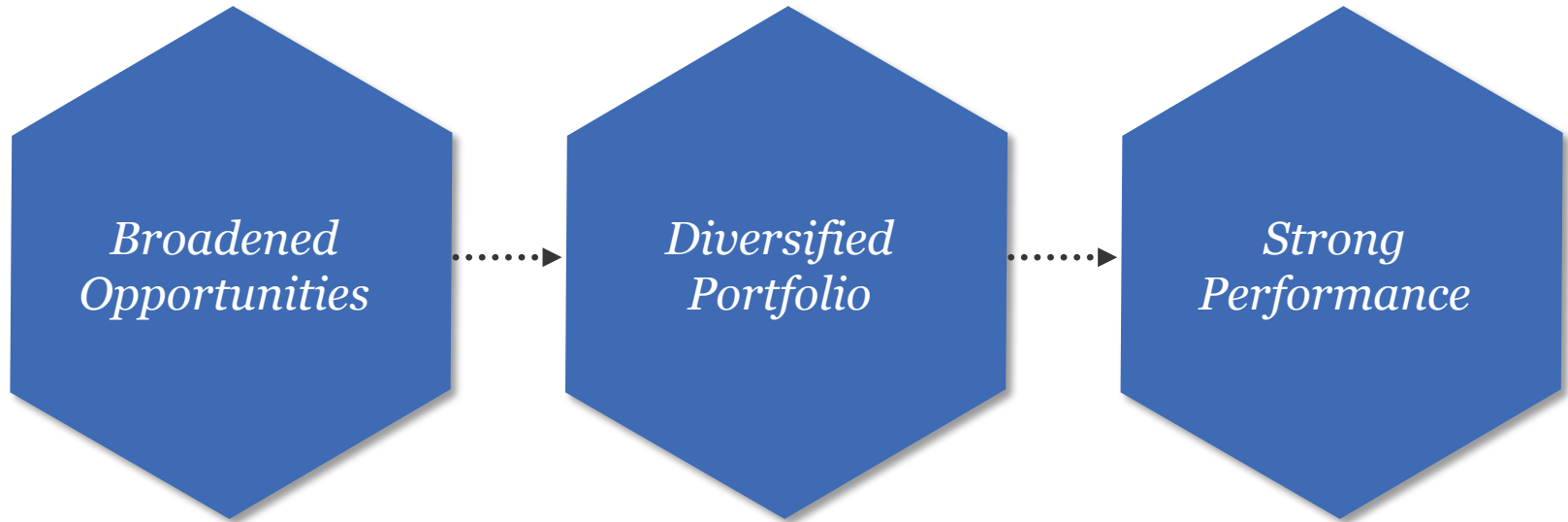


*Supported by
more than 250
professionals*





Outcomes Achieved for the City



- Transitioned to a proactive (versus passive) management approach
- Lengthened the portfolio from a 1-year focus 1-5 year strategy designed to prudently capture value along the yield curve

- Reflects understanding of the City's liquidity needs, capital projects, and overall comfort level
- Adaptive to changing market conditions

- Converted to a total return benchmark given the City's desire to achieve long-term capital growth
- Portfolio consistently outperforms its benchmark with less volatility



Market and Portfolio Update



Current Market Themes



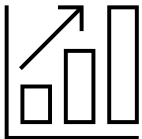
- COVID-19 continues to overshadow the economic and market landscape



- The U.S. economy is characterized by:
 - Continued recovery aided by supportive monetary policy
 - Potentially stagnating labor market growth
 - Heightened inflationary pressures



- Federal Reserve is contemplating the end of unprecedented support
 - Near-term tapering of asset purchases
 - Fed Funds Rate hike now seen possible in late 2022
 - Significant turnover of FOMC leadership

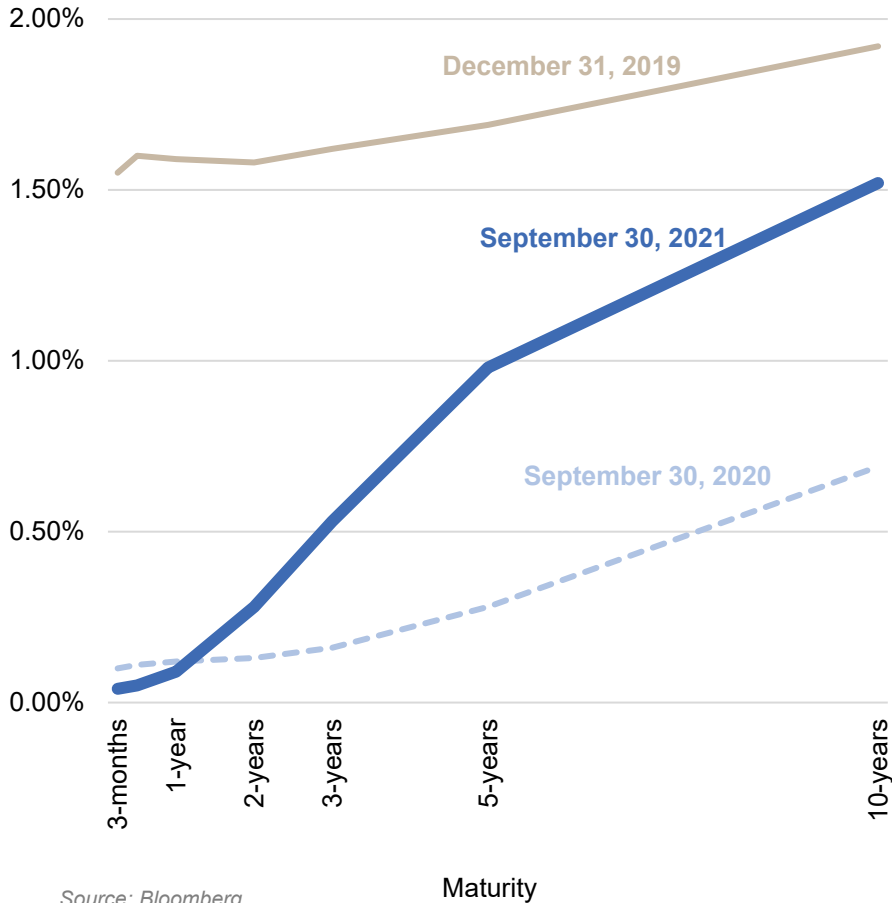


- Fixed income market reacting to changing market dynamics
 - Short-term yields tied to Fed rate policy
 - Long-term yields rising due to inflationary pressures and tapering



Yields Curve is Steep; Yields Remain Low

Treasury Yield Curves



Source: Bloomberg.

2 Year U.S. Treasury Yield

9/30/19 - 9/30/21





City of Salem Snapshot as of September 30, 2021

Portfolio Statistics

PFM Managed Holdings

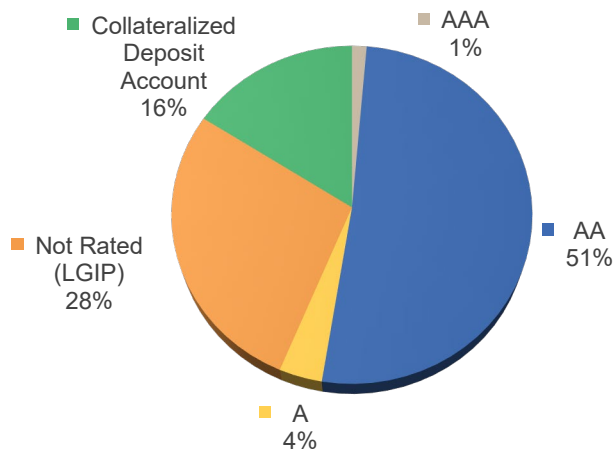
Market Value	\$193,564,085
Yield at cost	1.47%
Average Maturity	2.28 years
Average Credit	AA

Overnight Accounts

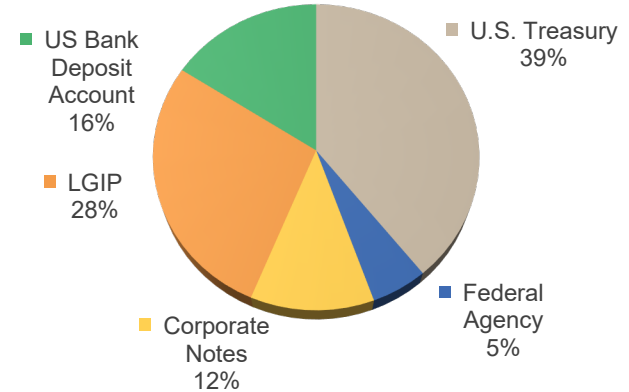
Value	\$150,462,366
Yield	0.53%

Total Assets \$344,026,452

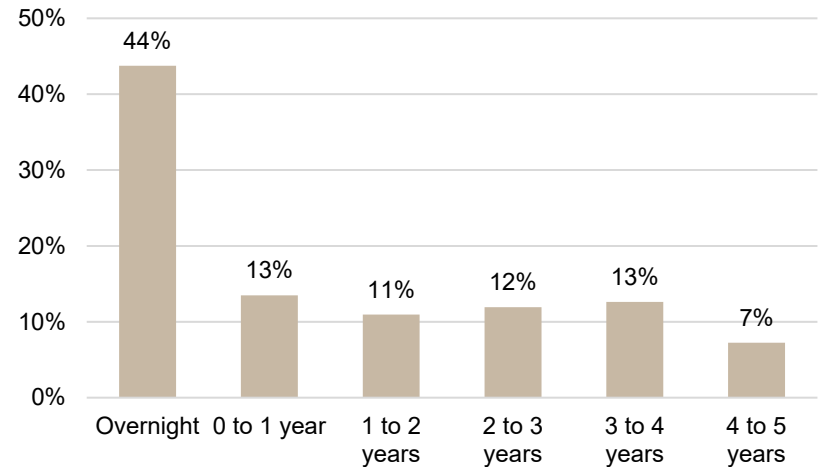
Credit Quality (Standard & Poor's Ratings)



Sector Allocation



Maturity Distribution



• Data includes funds in the PFM-managed Long-Term Portfolio and the Water-Sewer Bond Proceeds portfolio, and balances in the LGIP and at U.S. Bank.
 • Portfolio market value excludes accrued interest.



Long-Term Portfolio Performance

Total Return Performance As of September 30, 2021

Strategy/Benchmark	Current Quarter	Past 1 Year	Past 5 Years	Since Inception
City of Salem Long-Term Portfolio	0.07%	-0.11%	2.00%	1.44%
Performance Benchmark	0.00%	-0.40%	1.77%	1.26%
<i>Difference</i>	+0.07%	+0.29%	+0.23%	+0.18%

Benchmark source: Bloomberg.

The City's Benchmark is the ICE BofAML1-5 Year U.S Treasury Index, as of 12/31/19. Prior to 12/31/19 it was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofAML0-3 Year U.S Treasury Index.

Inception date is 12/31/12.

Returns are gross returns prior to management fees.



Market and Investment Strategy Outlook

- The economic recovery remains fragile as COVID-19 variants complicate growth prospects
- FOMC guidance has set the expectation that portions of its policy accommodations will soon be reduced; overall posture likely to remain accommodative for the foreseeable future
- Despite recent yield curve steepening, yields remain historically low on an absolute basis
- Low yields and narrow yield spreads between sectors presents challenging investment environment
- Seek to maintain broad diversification by sector, industry and issuer
- In a changing rate environment, diligence remains important



ESG Investing & Considerations



What is ESG Investing?

- ESG investing is a sustainable investment approach
 - More inclusive than Socially Responsible Investing (exclusionary approach)
 - Broader in scope than Thematic and Impact investing
- Incorporates **measurable non-financial ESG factors** into an investment analysis

ENVIRONMENTAL

How a company limits its environmental impact and carbon footprint



Climate Change



Air Pollution



Deforestation



Water Pollution

SOCIAL

How a company treats its employees, customers, community, and other companies it interacts with



Data Protection



Human Rights



Gender & Diversity



Community Relations

GOVERNANCE

How a company is led and managed, including executive pay and any internal controls



Board Composition



Bribery & Corruption



Lobbying

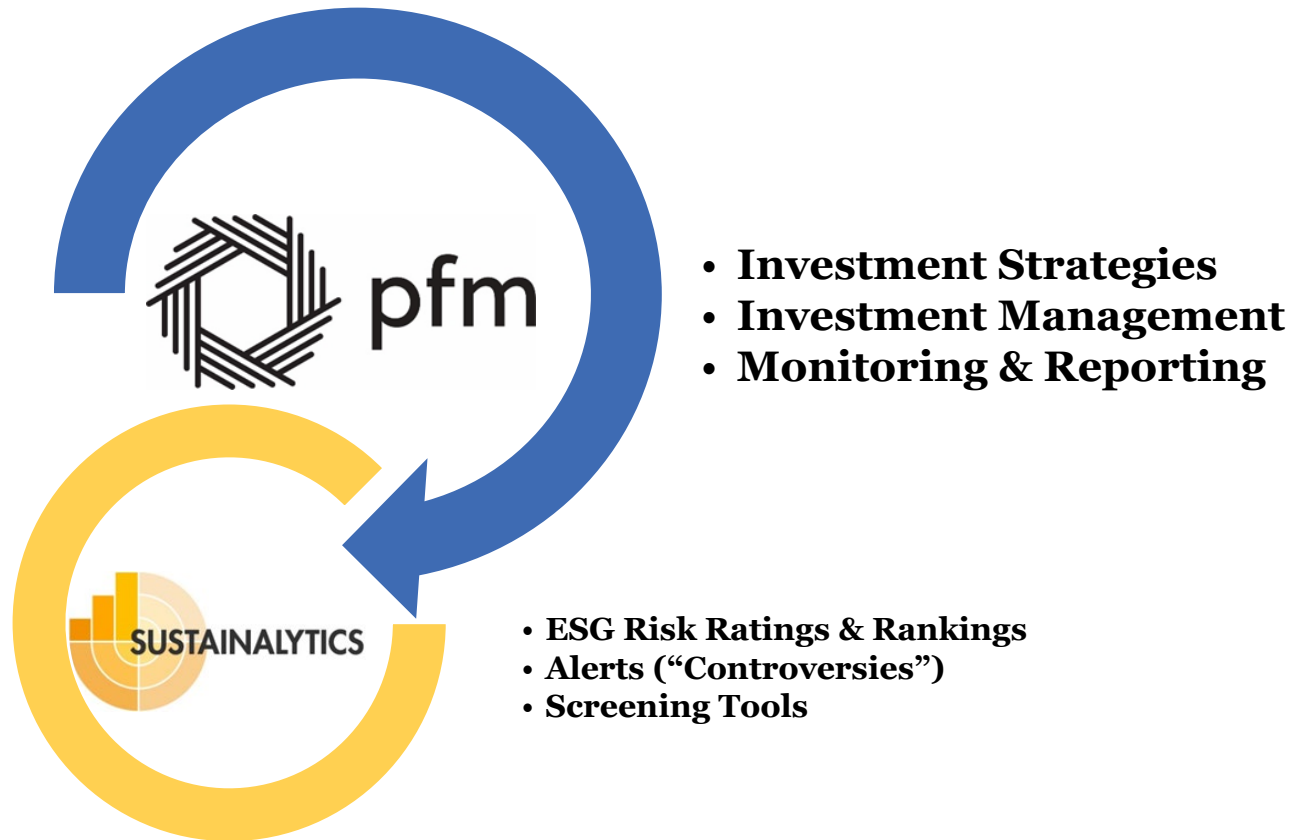


Executive Compensation



PFM's Fixed Income ESG Investment Solution: A Customizable & Flexible Approach

- We believe PFM employs an effective investment process that leverages Sustainalytics' ESG data and analytics to implement and manage ESG fixed income investment solutions



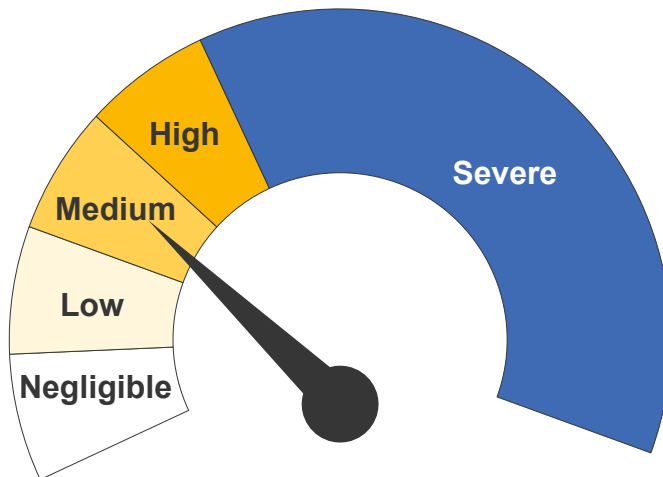
Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For more information, visit www.sustainalytics.com.



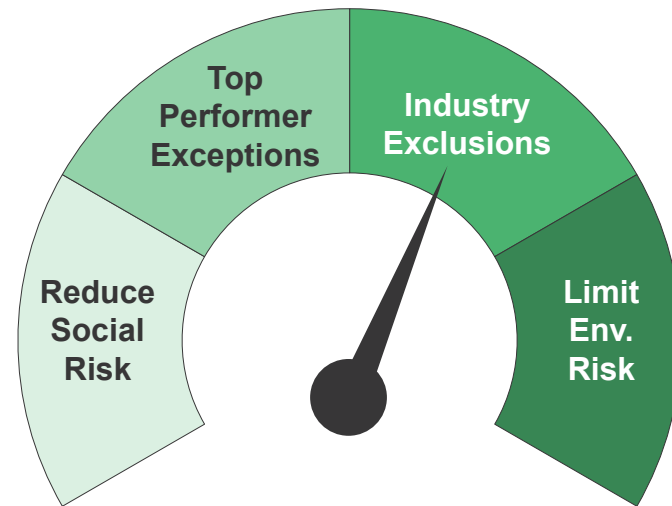
Advantages of an ESG Solution

- ◆ Flexibility to implement customized ESG strategies*
- ◆ Transparent, practical, not overly complicated
- ◆ “Rules-based” approach eliminates ambiguity by setting defined ESG parameters*

Maximum ESG Risk Rating Level



Other ESG Objectives



**Based on Sustainalytics framework. Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For more information, visit www.sustainalytics.com.*



Example Sustainable Investment Objectives & ESG Approach

Sustainable Investment Objectives	ESG Considerations & Exclusions
<p>Apply ESG risk assessment to permitted investments & reduce fossil fuel exposure</p>	<ul style="list-style-type: none">• Utilize ESG risk ratings to evaluate PFM-approved corporate investments based on unique ESG objectives• Avoid issuers involved in the direct production or drilling of fossil fuels

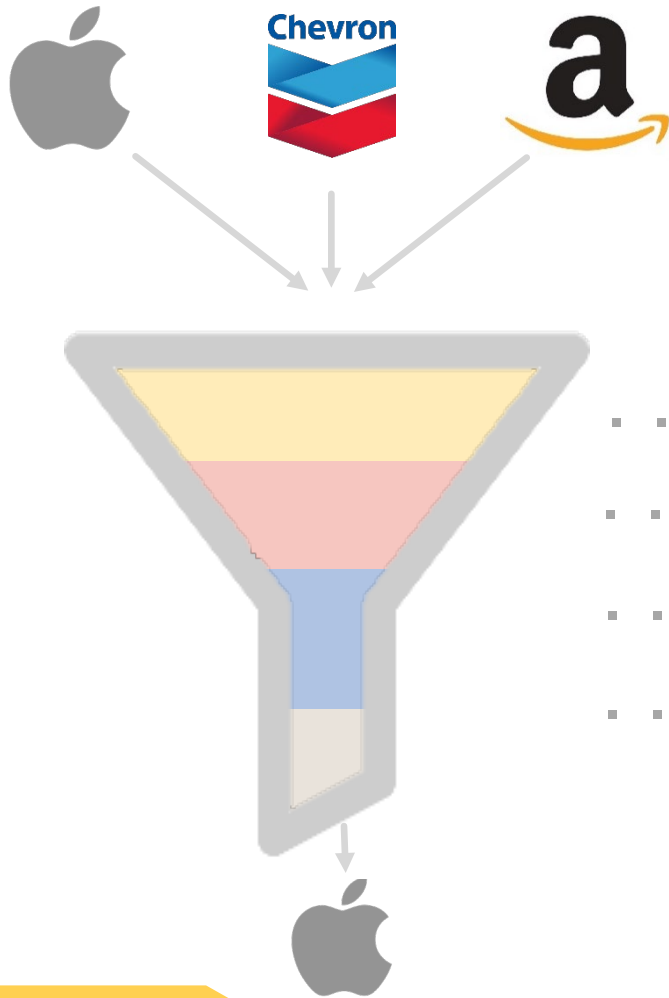


Example ESG Investment Criteria

- Limit issuer ESG risk exposure to medium ESG risk (or lower)
- Eligibility exception for top performers (High ESG risk, subindustry - top 25th percentile)
- Fossil Fuel Industry exclusions:
 - Energy Services
 - Oil & Gas Producers
 - Refiners & Pipelines



Example Application of ESG Investment Parameters



Example ESG Investment Parameters

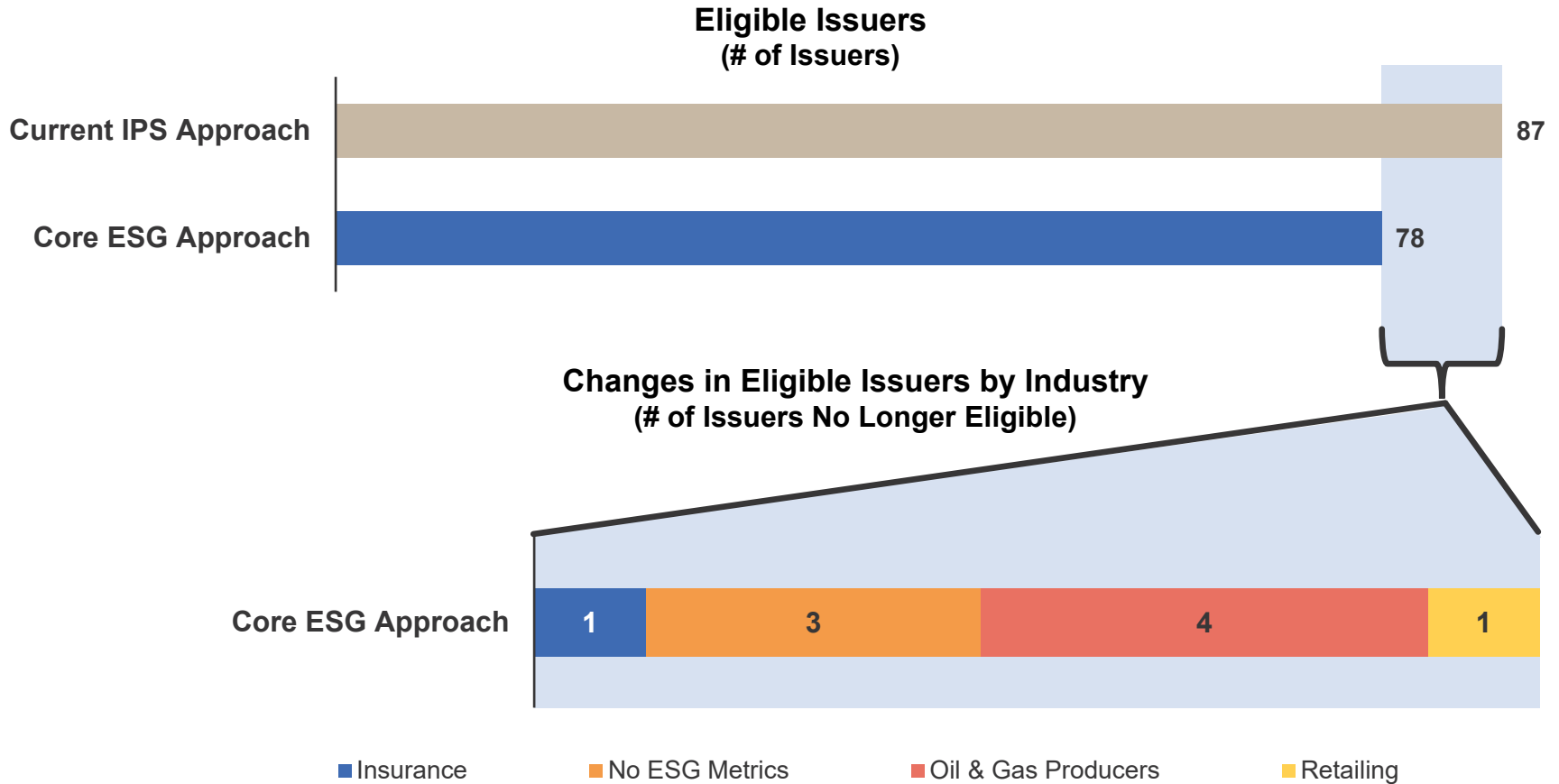
1. Maximum ESG Risk Rating medium or high if criteria #2 is met
2. Subindustry Rating Requirement = Top 25th Percentile (Rating ≤ 25th)
3. Industry Exclusions – Fossil Fuel industries

	Apple Inc	Chevron Corp	Amazon
Credit Ratings (S&P/Moody's/Fitch)	AA+ / Aa1 / - ✓	AA- / Aa2 / - ✓	AA / A1 / AA- ✓
ESG Risk Rating	Low ✓	Severe ✗	High ✗
Subindustry Ranking	12 th ✓	54 th ✗	97 th ✗
Industry	Technology Hardware ✓	Oil & Gas Producers ✗	Retailing ✓
Eligible Investment	YES	NO	NO

For illustrative purposes only.
 Source: Sustainalytics. ESG risk ratings and subindustry rankings are as of September 30, 2021.



Impact of Example Approach on City's Eligible Corporate Issuers

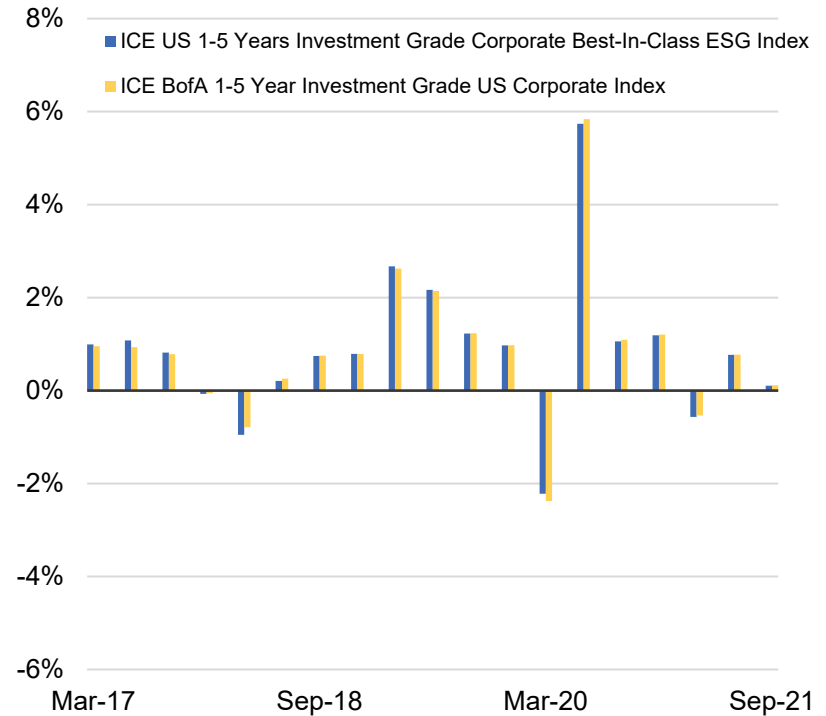
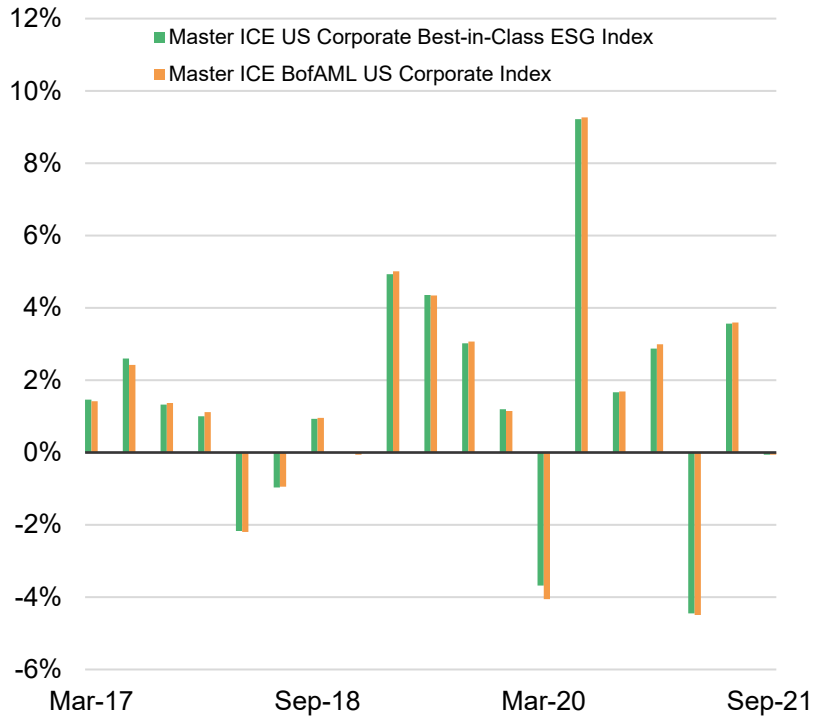


Based on PFM's Approved Issuer List as of 9/30/2021 and the City's Investment Policy Statement. Issuers without ESG risk ratings (No ESG Metrics) are not treated as eligible issuers in the sample ESG approaches.

*Per the City's IPS, corporate issuers included are rated AA- or better by at least one NRSRO, and commercial paper must be rated A-1 or better by at least one NRSRO. Asset-backed securities are not permitted.



Fixed Income ESG Index Performance Aligns with Non-ESG Index



Historical Return Comparison (January 1, 2017 – September 30, 2021)				
	Master ESG Corporate Index	Master Non-ESG Corporate Index	1-5 Years ESG Corp Index	1-5 Year Non-ESG Corporate Index
Annualized Return	5.59%	5.52%	3.52%	3.51%
# of Quarters Outperformed	8 of 19	11 of 19	7 of 19	12 of 19

Source: Bloomberg data from January 1, 2017 – September 30, 2021. Number of quarters outperformed compares the two sets of the respective ESG and non-ESG benchmarks to each other.



Evaluating & Comparing Direct Costs and Potential Opportunity Costs

Direct Costs & Opportunity Costs	Additional Costs & Potential Impact
<i>PFM Fee Impact</i> →	<ul style="list-style-type: none">• Additional fees would apply to assets managed in an ESG strategy. Additional fees are typically 1.5-2 basis points (+0.015% - 0.02%) on total Portfolio AUM.
<i>Custody & Trading Costs</i> →	<ul style="list-style-type: none">• Not applicable – Change in approach would not change custody fees or significantly impact trading activity
<i>Diversification Opportunities</i> →	<ul style="list-style-type: none">• Reduction in approved issuers• Remaining approved issuers provide diversification opportunities
<i>Yield & Investment Return Impact</i> →	<ul style="list-style-type: none">• Undetermined. Dependent on a number of factors, including:<ul style="list-style-type: none">• Portfolio composition• Liquidity• Credit quality• Change in yield spreads• Direction of interest rates



Next Steps for the City

- Determine ESG investment objectives & parameters and incorporate any changes to the Investment Policy Statement
- Execute an amended investment advisory agreement
- Identify ESG eligible permitted investments based on selected ESG investment parameters
- Monitor the ESG risk ratings of the investments in the City's portfolio
- Review, discuss, and refine the investment approach as needed





Appendix



City of Salem Investment Portfolio: ESG Review & Analysis



ESG Analysis Overview

◆ Summary of ESG Analysis

- The ESG-rated portion of the City of Salem's Long-Term Portfolio and Water-Sewer Rev Bond 2020 Portfolio had **medium** ESG risk as of September 30, 2021.*
- Issuer ESG risk ratings ranged from low to severe. 80% of issuers maintained negligible, low, or medium ESG risk.
- Management of ESG risks among rated issuers was, on average, relatively strong.

◆ Key Assumptions & Methodology

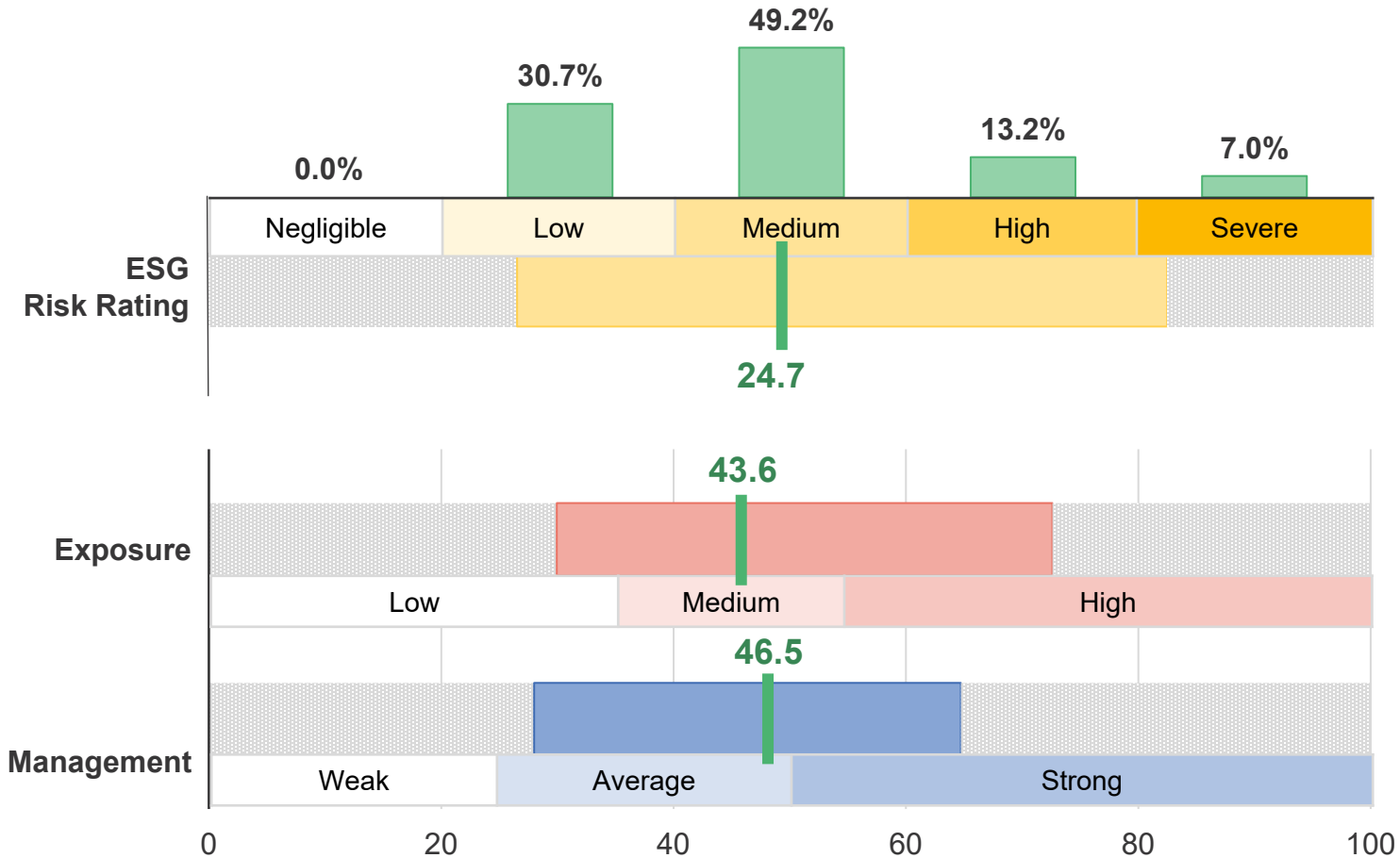
- The enclosed presentation and analysis has been prepared based on the City of Salem's PFMAM managed portfolios as of September 30, 2021. Please see important disclosures at the end of this presentation.
- The analysis is based on Sustainalytics ESG risk ratings & metrics as of September 30, 2021. ESG data and ESG metrics are subject to change.
- ESG metrics have been applied to corporate issuers with ESG risk ratings, Fannie Mae, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank.

** Based on the City of Salem's portfolios as of September 30, 2021. Market Value includes accrued interest. Sustainalytics data is as of September 30, 2021 and is subject to change. Please see important disclosures at the end of this presentation.*



City of Salem Investment Portfolio as of September 30, 2021

ESG Summary



Lower ESG Risk Ratings indicate better ESG risk profiles

Lower exposure scores generally result in lower ESG risk

Higher management scores generally reduce ESG risk

Data Source: Sustainalytics. Data as of September 30, 2021, as indicated. Please see important disclosures at the end of this presentation.



City of Salem Investment Portfolio as of September 30, 2021

ESG-Rated Portfolio Overview

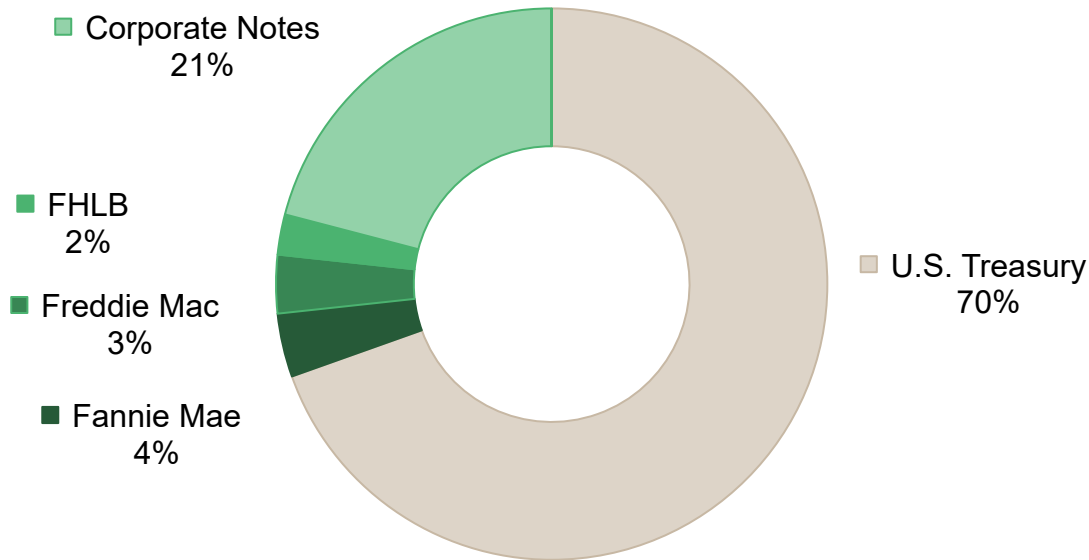
15/16 issuers with a MV of \$194.3 million¹



Non-ESG Rated Issuers:
U.S. Treasuries

Sector Allocation

Green shades are ESG-rated sectors

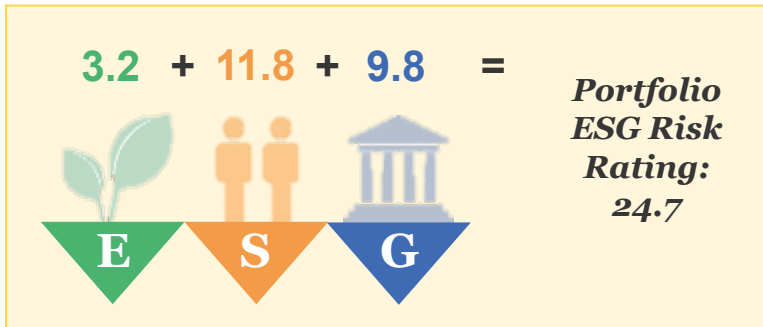


Market Value includes accrued interest as of September 30, 2021. Green shading denotes ESG-rated sectors.



City of Salem Investment Portfolio as of September 30, 2021

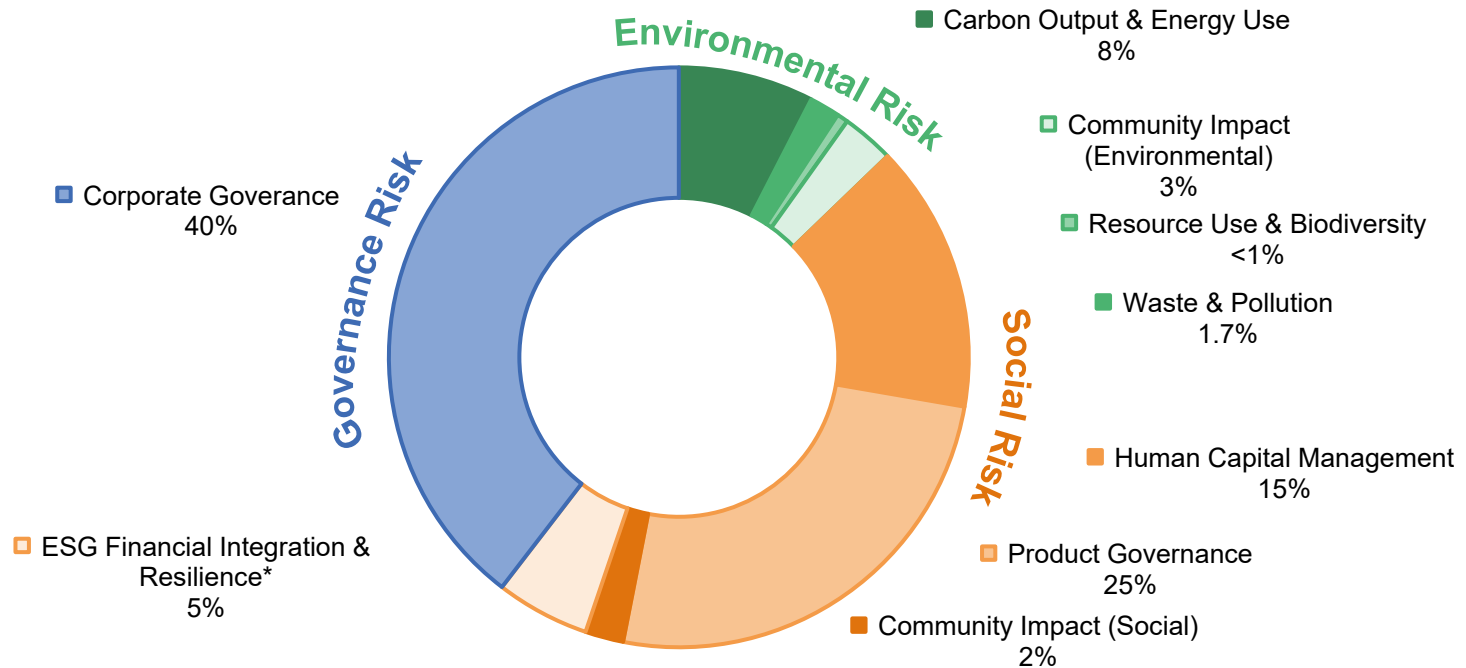
Risk Contribution by ESG Themes



Environmental risk evaluates how a company manages its environmental impact and carbon footprint

Social risk analyzes how a company treats employees, customers, the community, and other stakeholders as well as other companies it interacts with

Governance risk assesses how a company is managed from the perspective of executive pay, internal controls, board composition, lobbying practices, and related issues



Source: Sustainalytics. ESG Themes were created by PFM based on the material ESG issues ("MEIs") and ESG indicators developed and defined by Sustainalytics. Please see the ESG Themes Glossary provided in the Appendix for additional information and details. * Only applies to financial service industries.



City of Salem Investment Portfolio as of September 30, 2021

Issuer ESG Risk Ratings

Issuer	% Weight	Subindustry	Subindustry Percentile	ESG Risk Rating 9/30/21	Contributions		
					E	S	G
Microsoft Corp	1.1%	Enterprise and Infrastructure Software	4	13.3	6%	57%	37%
Visa, Inc.	0.3%	Data Processing	13	16.1	-	48%	52%
Apple Inc	4.2%	Technology Hardware	12	16.9	6%	39%	55%
Federal National Mortgage Association	3.7%	Thriffs and Mortgages	12	19.9	-	62%	38%
The Toronto-Dominion Bank	1.3%	Diversified Banks	11	20.3	6%	49%	45%
BlackRock, Inc.	1.1%	Asset Management and Custody Services	9	21.3	4%	45%	51%
Federal Home Loan Bank System	2.4%	Consumer Finance	26	23.7	-	56%	44%
Federal Home Loan Mortgage Corp	3.4%	Thriffs and Mortgages	32	24.8	7%	56%	37%
Procter & Gamble Hygiene & Health Care Ltd.	1.6%	Personal Products	16	25.6	-	-	-
Bank of America Corporation	1.3%	Diversified Banks	32	27.0	5%	42%	53%
JPMorgan Chase & Co.	2.6%	Diversified Banks	37	28.0	3%	48%	49%
Johnson & Johnson	1.3%	Pharmaceuticals	8	29.0	3%	70%	27%
Toyota Motor Corporation	1.4%	Automobiles	59	30.4	22%	44%	34%
Amazon.com Inc	2.6%	Online and Direct Marketing Retail	97	30.9	25%	43%	32%
Chevron Corporation	2.1%	Integrated Oil & Gas	54	41.2	49%	26%	25%

Source: Sustainalytics data as of September 30, 2021. Portfolio holdings as of September 30, 2021. Issuers with "-" under ESG contributions means data not available.



MEI Glossary



Material ESG Issues



Material ESG Issue	Environmental	Social	Governance
Corporate Governance			✓
Access to Basic Services		✓	
Bribery and Corruption			✓
Business Ethics			✓
Community Relations		✓	
Data Privacy and Security		✓	
Emissions, Effluents and Waste	✓		
Carbon - Own Operations	✓		
Carbon - Products and Services	✓		
E&S Impact of Products and Services	✓	✓	
Human Rights		✓	
Human Rights - Supply Chain		✓	
Human Capital		✓	
Land Use and Biodiversity	✓		
Land Use and Biodiversity - Supply Chain	✓		
Occupational Health and Safety		✓	
ESG Integration – Financials*	✓	✓	✓
Product Governance		✓	✓
Resilience*		✓	
Resource Use	✓		
Resource Use - Supply Chain	✓		

Source: Sustainalytics.
* Only applies to financial companies.



ESG Themes Glossary

ESG Theme	Theme Description	Key Indicators
Environment	Carbon Output & Energy Use	<ul style="list-style-type: none"> • Carbon intensity • Renewable energy use • Env. Mgt. System certification • GHG reporting / risk management • Hazardous products • Sustainable products & services
	Waste & Pollution	<ul style="list-style-type: none"> • Emergency response program • Solid waste management • Effluent management • Radioactive waste management • Hazardous waste management • Non-GHG air emissions programs • Oil spill disclosure & performance • Recycled material use
	Resource Use & Biodiversity	<ul style="list-style-type: none"> • Biodiversity programs • Deforestation programs / polices • Site closure & rehabilitation • Water intensity & risk management • Forest certifications • Supplier environmental programs / certifications • Sustainable agriculture programs
	Community Impact (Environmental)	<ul style="list-style-type: none"> • Env Impact – Community Relations • Env Impact – Products & Services • Env Impact – Occupational Health and Safety • Env Impact – Product Governance



ESG Themes Glossary

ESG Theme	Theme Description	Key Indicators
Social	Human Capital Management	<ul style="list-style-type: none"> Evaluates the management of risks related to human rights, labor rights, equality, talent development, employee retention, and labor health and safety Discrimination policy Diversity programs Gender pay equality / disclosures Employee development Supply chain management / standards Human rights policies & programs Employee health & safety
	Product Governance	<ul style="list-style-type: none"> Focuses on the management of risks related to product quality, safety, wellness, and nutrition, as well as customer data privacy & cybersecurity Product & service safety programs / certifications Data privacy management Media & advertising ethics policy Organic products / GMO policy Product health statement
	Community Relations	<ul style="list-style-type: none"> Assesses how companies engage with local communities and their management of access to essential products or services to disadvantaged communities or groups Equitable pricing and availability Access to health care Price transparency Human rights / indigenous policy Community involvement programs Noise management
	ESG Financial Integration & Resilience*	<ul style="list-style-type: none"> Analyzes financial stability and issues that pose systemic risks and potential external costs to society in the financial services industry. Also measures ESG activities by financial institutions Systemic risk management / reporting Tier 1 capital Leverage ratio Responsible investment / asset management Underwriting standards Financial inclusion Credit & loan standards Green buildings investments

* Only applies to financial service industries.
Source: Sustainalytics.



ESG Themes Glossary

ESG Theme	Theme Description	Key Indicators
Governance	Corporate Governance Evaluates a company's rules, policies, and practices with a focus on how a company's board of directors manages and oversees the operations of a company. Also assesses the management of general professional ethics and lobbying activities	<ul style="list-style-type: none">• Board/management quality & integrity• Board structure• Ownership & shareholder rights• Remuneration• Audit & financial reporting• Stakeholder governance• Bribery & corruption policies / programs• Money laundering policy• Whistleblower programs• Business ethics programs• Political involvement policy• Lobbying and political expenses



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CITY OF SALEM, OR

Investment Performance Review For the Quarter Ended September 30, 2021

Client Management Team

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

PFM Asset Management LLC

650 NE Holladay St., Suite 1600
Portland, OR 97232
503-837-8445

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

Market Summary

SUMMARY

- In Q3, U.S. economic conditions were impacted by: (1) a summer surge of COVID-19 infections driven by the highly contagious delta variant negatively affected consumer and business sentiment; (2) moderating but still above-trend economic growth; (3) higher inflation caused by material increases in the price of energy, other raw materials and various consumer goods and services; (4) continuing supply chain disruptions and shortages; (5) a Federal Reserve (Fed) planning to begin an accelerated pace of asset purchase tapering; (6) political wrangling over both government funding and the expired suspension of the debt ceiling; and (7) a material slowdown in job growth.
- The recovery is continuing, but the economy faces familiar headwinds. The COVID-19 surge in the U.S. that began in July peaked in September before trailing off sharply late in the quarter. The overall toll remains staggering: 44 million cases and over 700,000 deaths in the U.S. The surge impaired economic activity and caused consumer sentiment to fall to its lowest level in over a year. The labor market slowed even with job openings at record levels. Prices remained elevated for both the consumer and the producer, although the Fed views this trend as transitory. The growth outlook has become more uncertain.
- At the Federal Open Market Committee's (FOMC) September meeting, officials hinted that a tapering of bond purchases could begin as soon as November. More importantly, the Fed indicated that a likely path of tapering could conclude around the middle of next year – a faster pace than was expected by analysts. Half of the FOMC participants indicated that they expect to increase short-term rates at least once in 2022, with multiple hikes in place by the end of 2023. In its updated September projections, the Fed also lowered its forecast for GDP growth for 2021 from 7% to 5.9% and increased its forecast for inflation (Core PCE) from 3% to 3.7%. Longer-term projections were relatively unchanged.

ECONOMIC SNAPSHOT

- Real GDP in the U.S. increased by 6.7% in Q2, following a 6.3% expansion in Q1. Spending was again the primary driver, with consumer spending rising by 12% as public health restrictions eased and businesses reopened earlier in the year. The delta variant triggered a summer slowdown in spending, but consumers remain in a strong position to help power the economic recovery. Nevertheless, the impact of waning monetary and fiscal stimulus creates a larger degree of uncertainty for the economy.
- Job gains disappointed for a second straight month as the U.S. economy added only 366,000 jobs in August and 194,000 jobs in September, far short of expectations and well below the average of 641,000 for the first seven months of the year. Despite the recent weakness, the unemployment rate fell 1.1% to 4.8% in the quarter. The labor force participation rate held steady, but wages continued to rise, up 4.6% over the past year. The number of job openings stood at 10.4 million in August, following a record 11.1 million in July. The “quits rate” – voluntary separations initiated by the employee, serving as a measure of workers' willingness to leave jobs – increased to a series high of 2.9%.
- On the inflation front, the consumer price index (CPI) rose 5.4% for the twelve months through September, up slightly from the prior quarter. Surging prices for energy and new and used cars accounted for more than half the overall gain. The producer price index (PPI) rose for the eighth straight month, reaching a whopping 8.3% increase over the past year ended August as commodity prices remain elevated.

- The frantic and heated housing market showed signs of cooling as existing homes sales declined. The lack of available supply remains a significant constraint. With prices up 20% over the past year and mortgage rates rising, affordability is also impeding further gains.

INTEREST RATES

- After dipping mid-quarter, U.S. Treasury yields barely changed. The only material changes were 7 to 11 basis point increases in yields on 3- to 10-year maturities. Late surges in rates were driven by inflation worries and the accelerated pace of Fed tapering. Short-term rates remain anchored near rock-bottom lows by the current near-zero rate policy. At quarter-end, the yield on a 3-month U.S. Treasury Bill stood at 0.04%, the 2-year note was 0.28%, the 5-year note was 0.97%, the 10-year note was 1.49% and the 30-year was 2.05%.
- As a result of a modestly steeper curve over the quarter, U.S. Treasury index returns were mixed for the quarter. Shorter-duration U.S. Treasury indices (three years and under) were flat to slightly positive, while indices holding intermediate- and longer-term portions of the yield curve posted negative returns. For example, the 1-year Treasury index returned 0.02% for the quarter, while the 5-year Treasury index returned -0.25% and the 10-year Treasury index returned -0.31%.

SECTOR PERFORMANCE

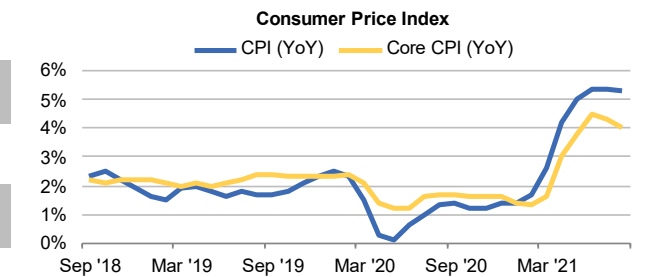
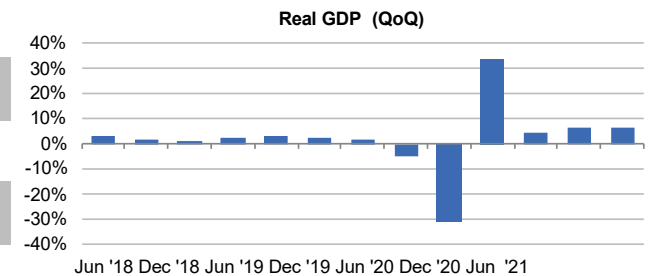
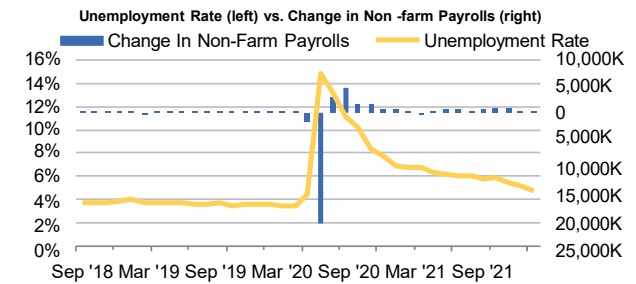
- Diversification away from U.S. Treasuries was generally additive to performance in Q3. Broad, global demand for yield has continued to pressure yield spreads, which remained in very low and tight trading ranges. Most investment-grade (IG) sectors produced positive excess returns for Q3 – returns in excess of comparable maturity Treasuries – but at a lesser pace than in recent prior quarters. Low yields mean less income, while narrow spreads mean less opportunity for price gains from further spread compression. Something close to index-level returns is about all that can be expected in upcoming quarters.
- Federal agency spreads were mostly unchanged again, and the sector generated modest positive excess returns. Supranational opportunities were better in Q3 as several attractively priced new issues came to market.
- IG corporates trudged along to slightly positive excess returns, aided by continued economic recovery, improving credit fundamentals, and supportive global monetary policy. Although new issuance has been elevated, insatiable demand resulted in a reasonably strong performance. Valuations are now very rich, with spreads ending the quarter nearer the June 2021 all-time highs. Lower quality corporates led the way, as the incremental income component of total returns remains a driver of overall performance in the current, low spread environment.
- The taxable municipal sector was one of the few IG fixed income sectors to post negative excess returns for Q3. YTD returns remain near the top, despite recent underperformance.
- AAA-rated asset-backed securities (ABS) spreads were stable, and collateral performance has remained strong. Issuance picked up in Q3.
- Agency mortgage-backed securities (MBS) spreads widened but remain susceptible to further duration extension and price deterioration as rates rise. Expectations for Fed tapering is a lingering concern, as the Fed has been the largest buyer in the sector. Excess returns were largely flat to modestly negative, depending on the specific term and collateral type. Lower coupons suffered, while higher coupons performed best. After a strong performance, agency CMBS stumbled notably in Q3. Similar to taxable municipals, the recent

Economic Snapshot

Labor Market		Latest	Jun '21	Sep '20
Unemployment Rate	Sep '21	4.8%	5.9%	7.8%
Change In Non-Farm Payrolls	Sep '21	194,000	962,000	716,000
Average Hourly Earnings (YoY)	Sep '21	4.6%	3.7%	4.8%
Personal Income (YoY)	Aug '21	6.1%	2.5%	6.2%
Initial Jobless Claims (week)	10/2/21	326,000	368,000	803,000

Growth		Latest	Jun '21	Sep '20
Real GDP (QoQ SAAR)	2021Q2	6.7%	6.3% ¹	-31.2% ²
GDP Personal Consumption (QoQ SAAR)	2021Q2	12.0%	11.4% ¹	-33.4% ²
Retail Sales (YoY)	Aug '21	15.1%	18.9%	6.0%
ISM Manufacturing Survey (month)	Sep '21	61.1	60.6	55.7
Existing Home Sales SAAR (month)	Aug '21	5.88 mil.	5.87 mil.	6.44 mil.

Inflation / Prices		Latest	Jun '21	Sep '20
Personal Consumption Expenditures (YoY)	Aug '21	4.3%	4.0%	1.4%
Consumer Price Index (YoY)	Aug '21	5.3%	5.4%	1.4%
Consumer Price Index Core (YoY)	Aug '21	4.0%	4.5%	1.7%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$75.03	\$73.47	\$40.22
Gold Futures (oz.)	Sep 30	\$1,755	\$1,772	\$1,888



1. Data as of First Quarter 2021.

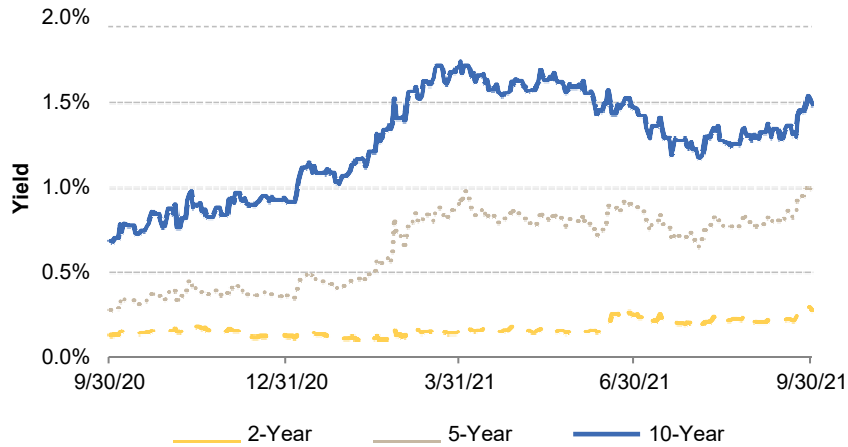
2. Data as of Second Quarter 2020.

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

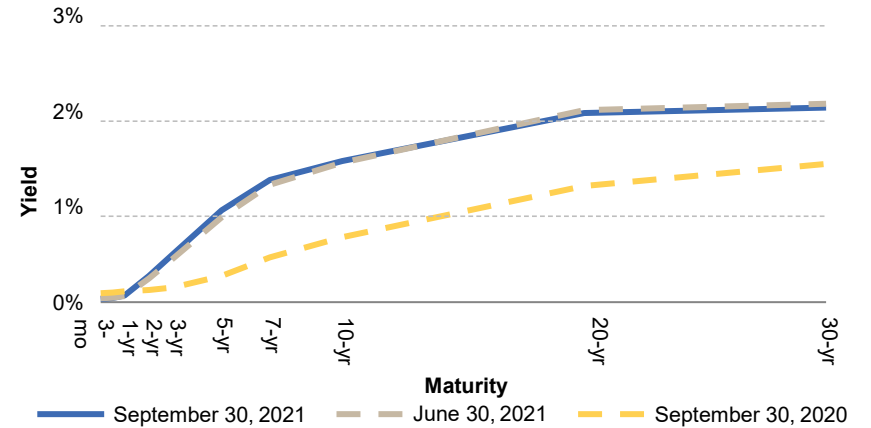
Source: Bloomberg.

Interest Rate Overview

U.S. Treasury Note Yields



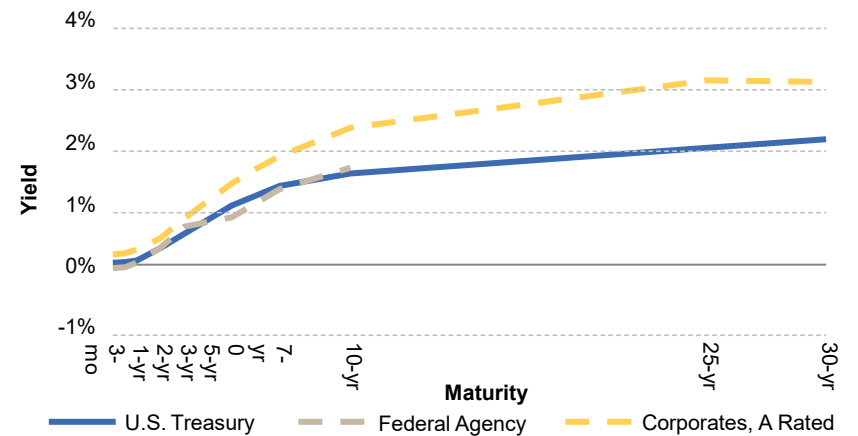
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Sep '21	Jun '21	Change over Quarter	Sep '20	Change over Year
3-Month	0.04%	0.04%	0.00%	0.10%	(0.06%)
1-Year	0.07%	0.07%	0.00%	0.12%	(0.05%)
2-Year	0.28%	0.25%	0.03%	0.13%	0.15%
5-Year	0.97%	0.89%	0.08%	0.28%	0.69%
10-Year	1.49%	1.47%	0.02%	0.69%	0.80%
30-Year	2.05%	2.09%	(0.04%)	1.46%	0.59%

Yield Curves as of 09/30/2021



Source: Bloomberg.

ICE BofAML Index Returns

September 30, 2021	As of 09/30/2021	Yield	Returns for Periods ended 09/30/2021		
	Duration		3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.90	0.28%	0.06%	0.03%	2.63%
Federal Agency	1.74	0.29%	0.09%	0.20%	2.48%
U.S. Corporates, A-AAA rated	1.89	0.56%	0.14%	0.79%	3.39%
Agency MBS (0 to 3 years)	1.52	0.72%	(0.01%)	(1.64%)	3.44%
Taxable Municipals	1.57	0.47%	0.03%	3.32%	4.11%
1-5 Year Indices					
U.S. Treasury	2.66	0.48%	(0.00%)	(0.40%)	3.24%
Federal Agency	2.33	0.47%	0.10%	0.01%	2.79%
U.S. Corporates, A-AAA rated	2.82	0.88%	0.05%	0.76%	4.23%
Agency MBS (0 to 5 years)	2.56	1.37%	0.25%	(0.52%)	3.37%
Taxable Municipals	2.65	0.79%	0.22%	1.82%	3.97%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	7.27	1.04%	(0.03%)	(3.60%)	4.94%
Federal Agency	3.99	0.81%	0.01%	(0.75%)	4.23%
U.S. Corporates, A-AAA rated	8.50	1.90%	(0.18%)	0.04%	6.87%
Agency MBS (0 to 30 years)	3.89	1.66%	0.05%	(0.46%)	3.92%
Taxable Municipals	11.26	2.52%	0.33%	2.36%	9.18%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

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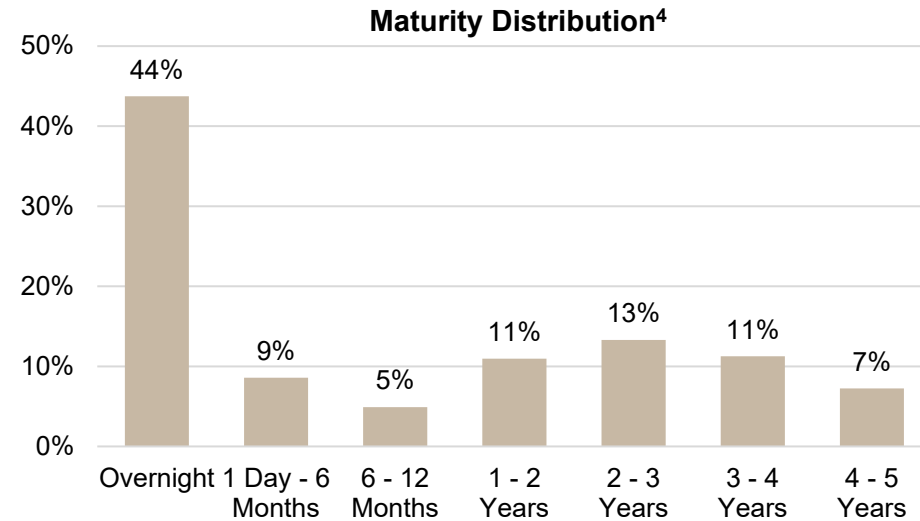
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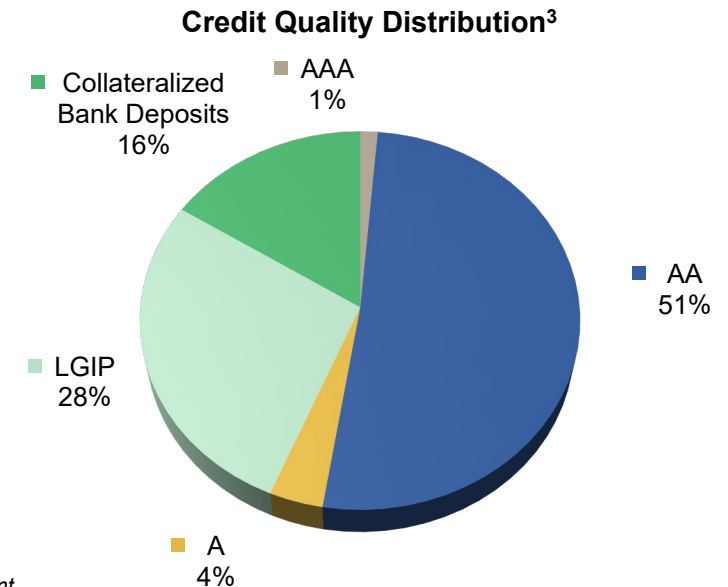
Account Summary

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

Quarter Ended September 30, 2021 – 3Q21 ¹	
Quarterly Summary	
Market Value (MV)	\$344,026,452
Amortized Cost	\$341,743,141
Portfolio Yield on Cost	1.06%
Weighted Average Maturity	1.29 years
Cash Basis Earnings for Quarter ²	\$980,323
Accrual Basis Earnings for Quarter ²	\$721,958
Quarterly Change	
Amortized Cost – 3Q21	\$341,743,141
Beginning MV – 2Q21	\$359,005,504
Net Contributions	(\$7,039,817)
Change in Cash	(8,116,522.92)
Change in MV	\$177,288
Ending MV – 3Q21	\$344,026,452



Sector Distribution ¹				
Sector	Amortized Cost	Market Value	% of Portfolio	Allowed by Policy
U.S. Treasuries	\$132,398,307	\$134,627,974	39%	100%
Federal Agencies	\$18,488,951	\$18,424,679	5%	100%
Corporate Notes	\$40,393,517	\$40,511,433	12%	35%
LGIP	\$95,606,605	\$95,606,605	28%	ORS limit
Collateralized Deposit Accounts	\$54,855,761	\$54,855,761	16%	100%
Total	\$341,743,141	\$344,026,452	100%	



1. Combined portfolio includes funds in the PFM-managed portfolios, funds in the Oregon LGIP, and the City's US Bank account. Portfolio values are as of September 30, 2021 and exclude accrued interest on the PFM-managed funds.
 2. Excludes earnings on LGIP and deposit accounts.
 3. Ratings by Standard & Poor's (S&P).
 4. Callable securities are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Account Summary

CITY OF SALEM LONG-TERM PORTFOLIO			
Portfolio Values	<u>September 30, 2021</u>	Analytics ¹	<u>September 30, 2021</u>
PFM Managed Account	\$184,487,655	Yield at Market	0.49%
Amortized Cost	\$182,221,644	Yield on Cost	1.52%
Market Value	\$184,487,655	Portfolio Duration	2.28
Accrued Interest	\$676,792		

CITY OF SALEM WATER-SEWER REV BOND 2020			
Portfolio Values	<u>September 30, 2021</u>	Analytics ¹	<u>September 30, 2021</u>
PFM Managed Account	\$9,076,431	Yield at Market	0.24%
Amortized Cost	\$9,059,130	Yield on Cost	0.39%
Market Value	\$9,076,431	Portfolio Duration	1.11
Accrued Interest	\$43,254		

1. Yield at market, yield on cost, and portfolio duration only include investments held within the separately managed account(s).

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	69.6%	
UNITED STATES TREASURY	69.6%	AA / Aaa / AAA
Federal Agency	9.5%	
FANNIE MAE	3.7%	AA / Aaa / AAA
FEDERAL HOME LOAN BANKS	2.4%	AA / Aaa / NR
FREDDIE MAC	3.4%	AA / Aaa / AAA
Corporate	20.9%	
AMAZON.COM INC	2.6%	AA / A / AA
APPLE INC	4.2%	AA / Aa / NR
BANK OF AMERICA CO	1.3%	A / A / AA
BLACKROCK INC	1.1%	AA / Aa / NR
CHEVRON CORPORATION	2.1%	AA / Aa / NR
JOHNSON & JOHNSON	1.3%	AAA / Aaa / NR
JP MORGAN CHASE & CO	2.6%	A / A / AA
MICROSOFT CORP	1.1%	AAA / Aaa / AAA
PROCTER & GAMBLE CO	1.6%	AA / Aa / NR
TORONTO-DOMINION BANK	1.3%	A / A / AA
TOYOTA MOTOR CORP	1.4%	A / A / A
VISA INC	0.3%	AA / Aa / NR
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

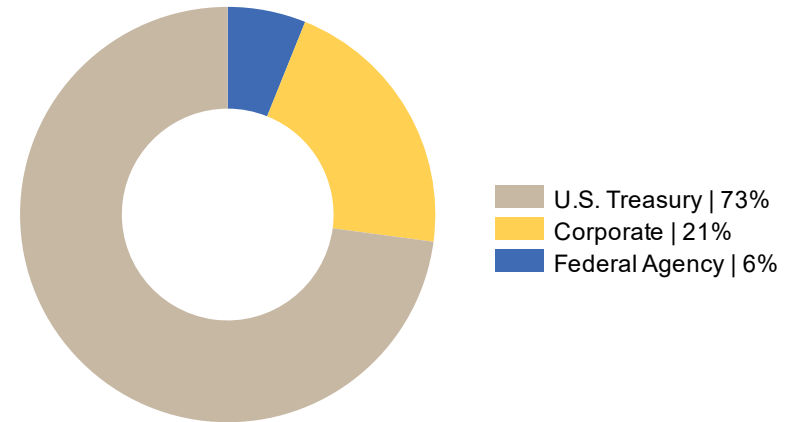
Portfolio Review:
CITY OF SALEM LONG-TERM PORTFOLIO

Portfolio Snapshot - CITY OF SALEM LONG-TERM PORTFOLIO¹

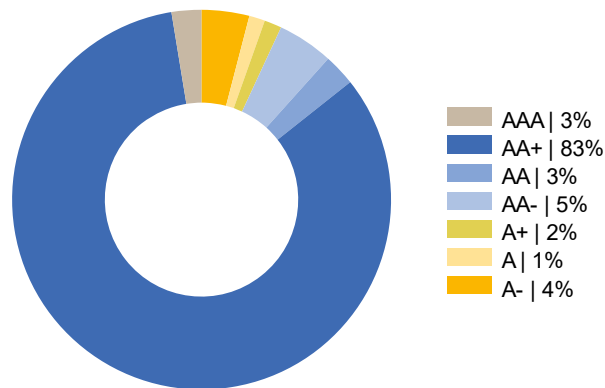
Portfolio Statistics

Total Market Value	\$185,164,446.70
Portfolio Effective Duration	2.28 years
Benchmark Effective Duration	2.59 years
Yield At Cost	1.52%
Yield At Market	0.49%
Portfolio Credit Quality	AA

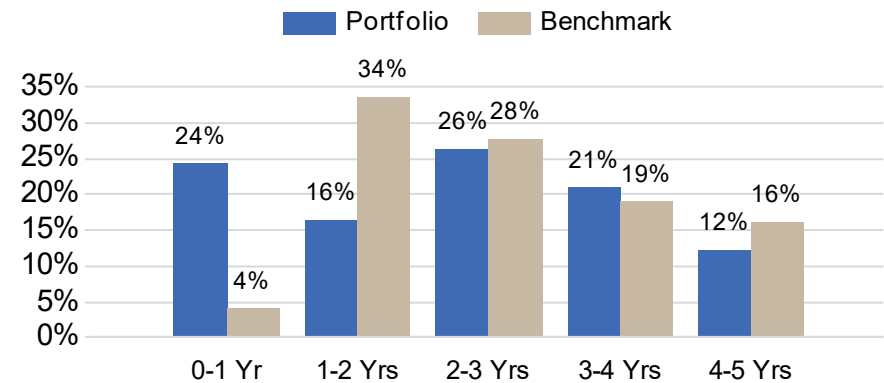
Sector Allocation



Credit Quality - S&P



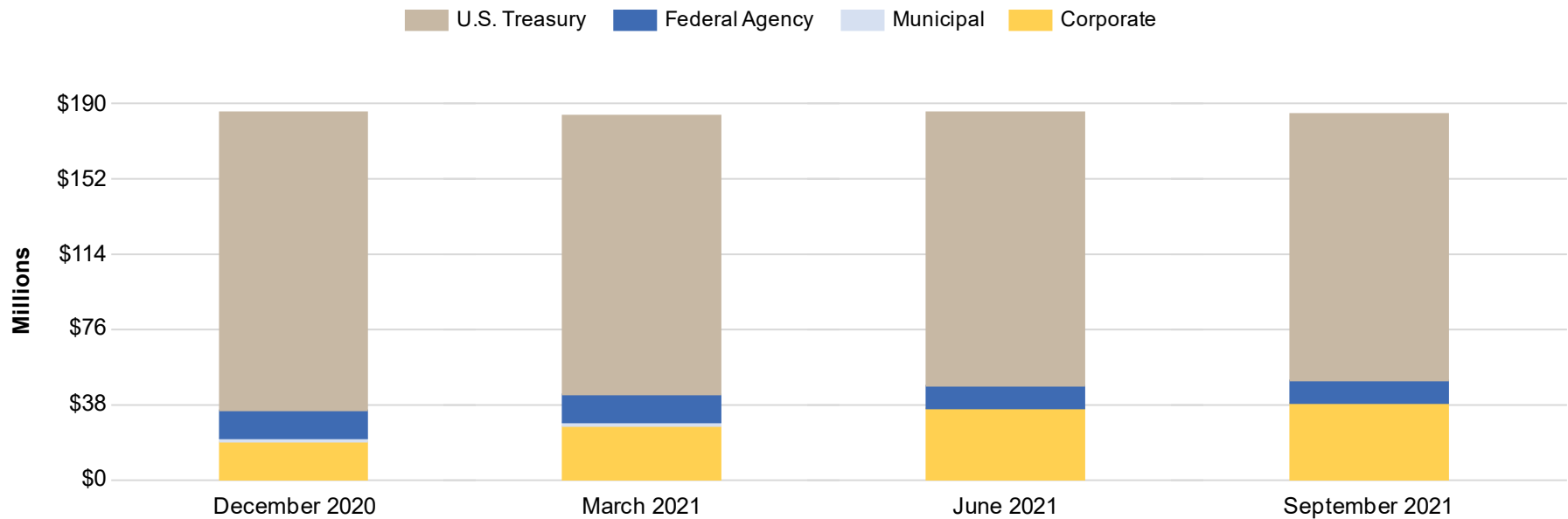
Duration Distribution



1. The portfolio's benchmark is currently the ICE BofAML 1-5 Year U.S Treasury Index. Prior to 12/31/19 is was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofAML 0-3 Year U.S Treasury Index. Source: Bloomberg.
An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation Review - CITY OF SALEM LONG-TERM PORTFOLIO

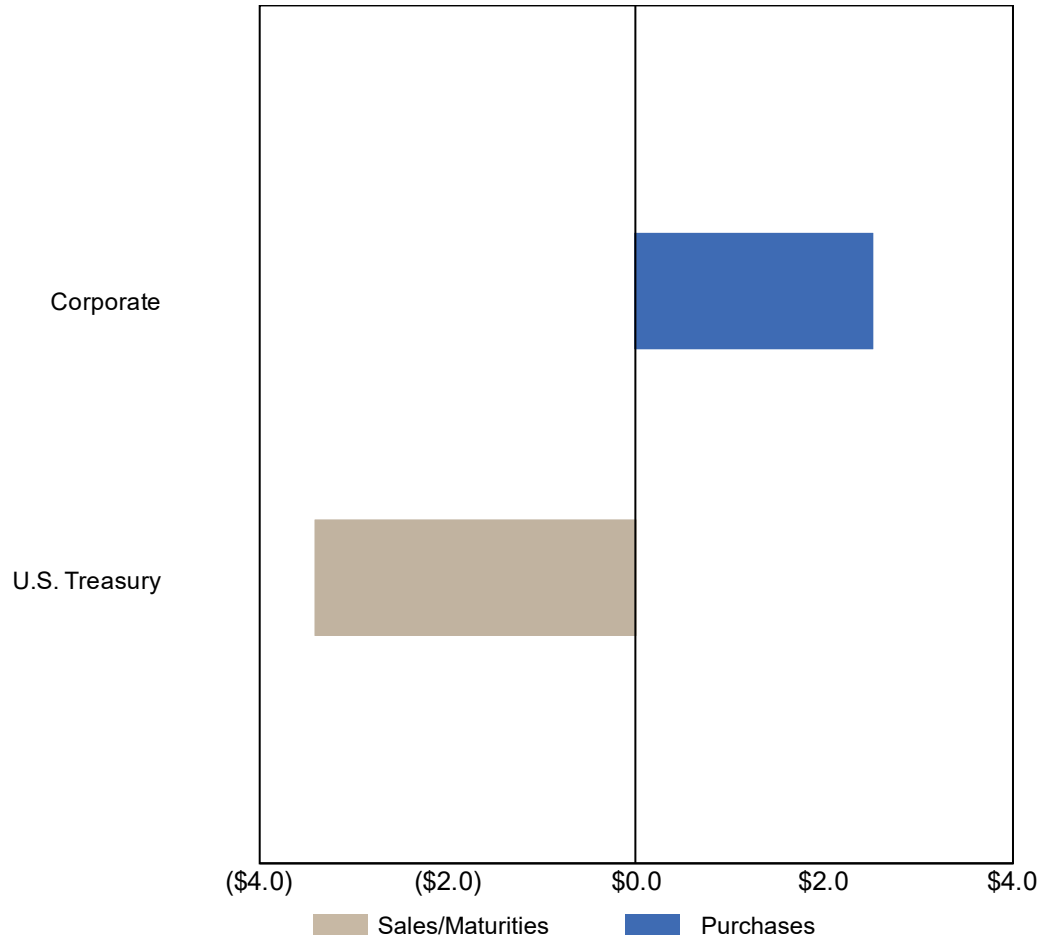
Security Type	Dec-20	% of Total	Mar-21	% of Total	Jun-21	% of Total	Sep-21	% of Total
U.S. Treasury	\$149.9	80.9%	\$141.1	76.6%	\$138.4	74.4%	\$134.6	72.9%
Federal Agency	\$14.5	7.8%	\$14.3	7.8%	\$11.2	6.1%	\$11.2	6.1%
Municipal	\$1.5	0.8%	\$1.5	0.8%	\$0.0	0.0%	\$0.0	0.0%
Corporate	\$19.4	10.5%	\$27.2	14.8%	\$36.3	19.5%	\$38.6	21.0%
Total	\$185.3	100.0%	\$184.1	100.0%	\$185.9	100.0%	\$184.5	100.0%



Market values, excluding accrued interest. Only includes investments held within the separately managed account(s). Detail may not add to total due to rounding.

Portfolio Activity - CITY OF SALEM LONG-TERM PORTFOLIO

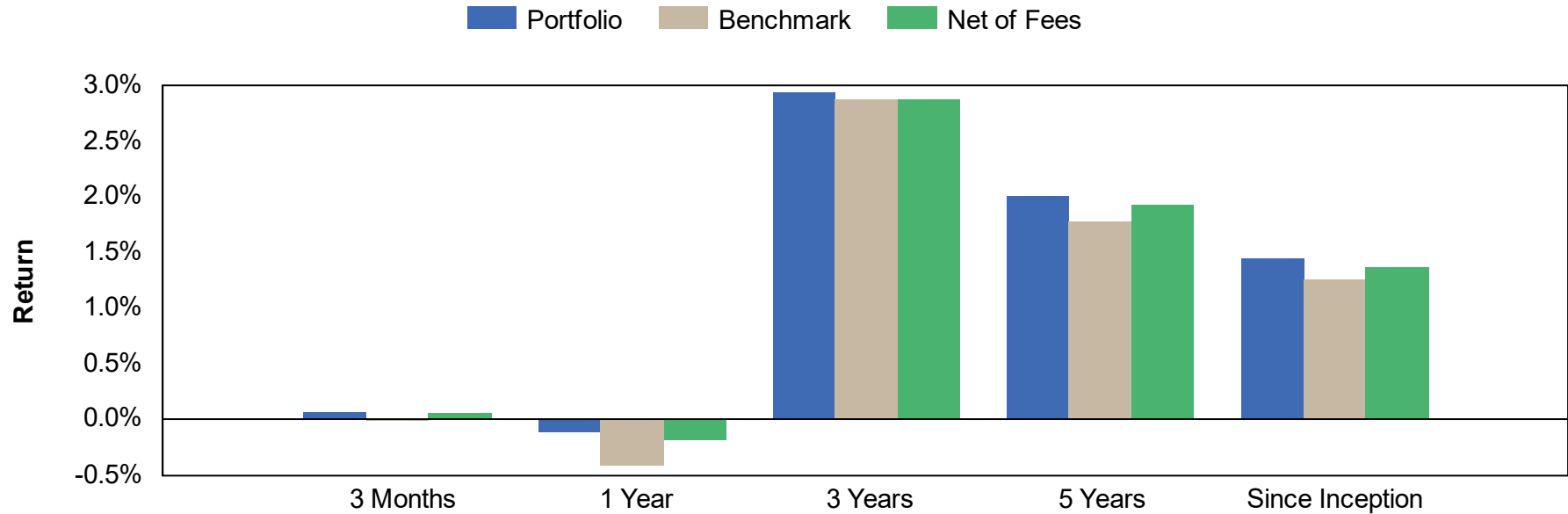
Net Activity by Sector
(\$ millions)



Sector	Net Activity
Corporate	\$2,510,075
U.S. Treasury	(\$3,393,879)

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Portfolio Performance



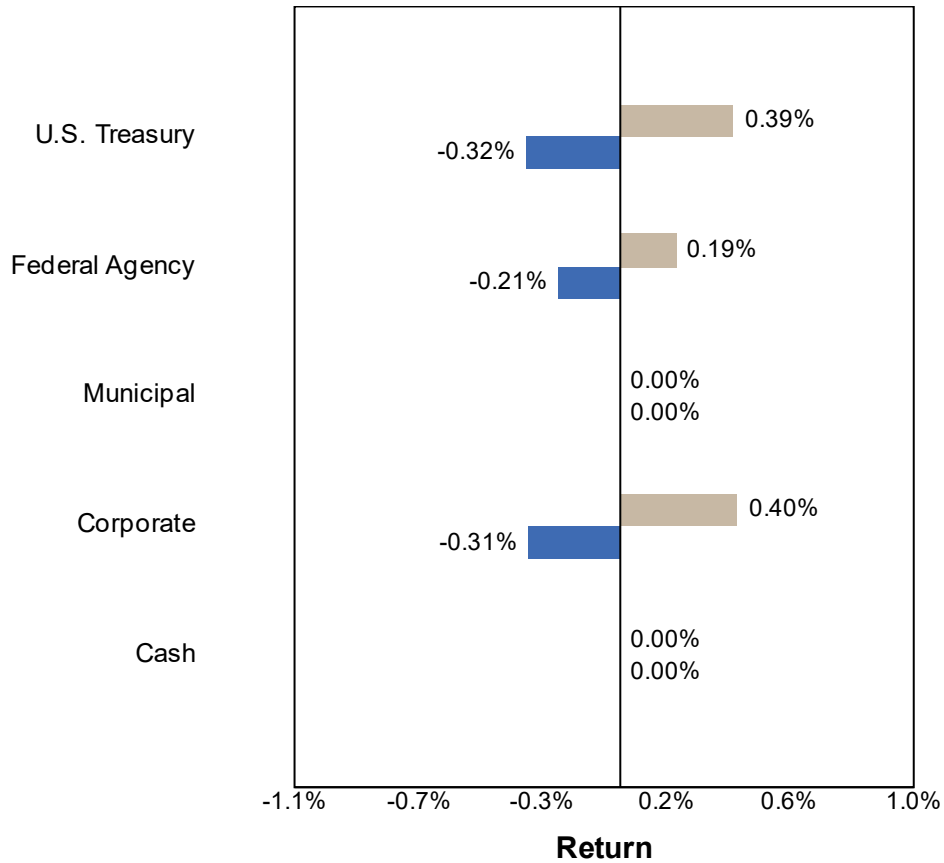
Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception ¹
Interest Earned ²	\$707,045	\$3,134,400	\$8,862,128	\$11,820,902	\$16,430,528
Change in Market Value	(\$578,258)	(\$3,329,045)	\$4,485,147	\$3,019,727	\$1,068,752
Total Dollar Return	\$128,787	(\$194,645)	\$13,347,275	\$14,840,629	\$17,499,280
Total Return³					
Portfolio	0.07%	-0.11%	2.94%	2.00%	1.44%
Benchmark ⁴	-	-0.40%	2.88%	1.77%	1.26%
Basis Point Fee	0.02%	0.07%	0.07%	0.07%	0.07%
Net of Fee Return	0.05%	-0.18%	2.87%	1.93%	1.37%

1. The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2012.
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.
 4. The portfolio's benchmark is currently the ICE BofAML 1-5 Year U.S Treasury Index. Prior to 12/31/19 is was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofAML 0-3 Year U.S Treasury Index. Source: Bloomberg.

Quarterly Sector Performance

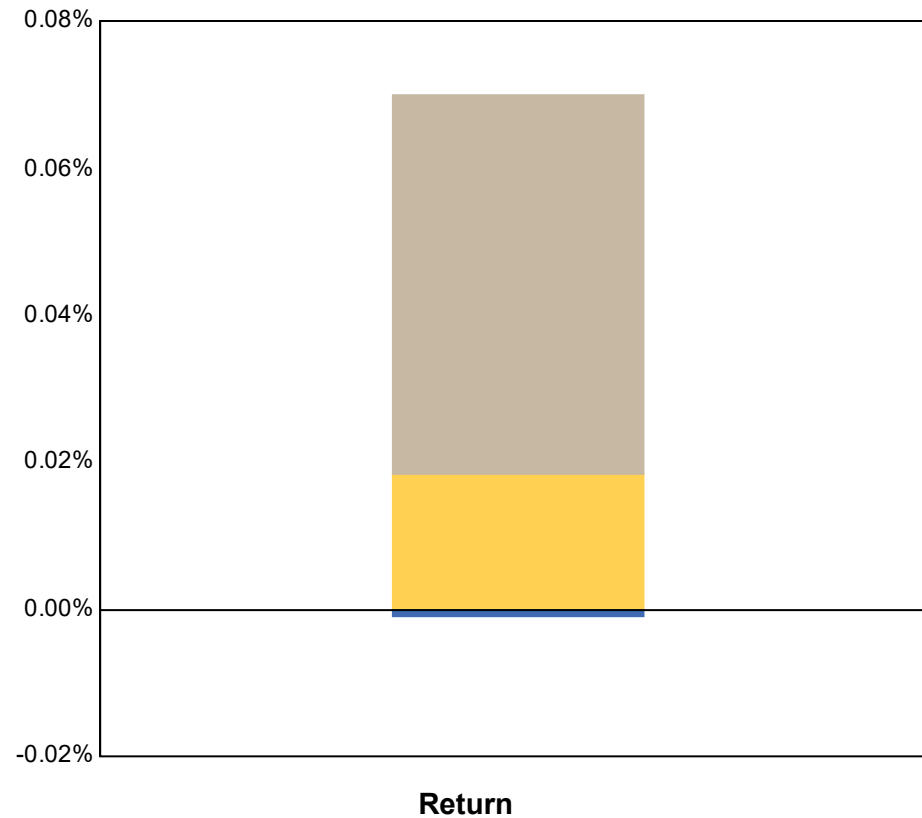
Total Return by Sector

Price Returns Income Returns



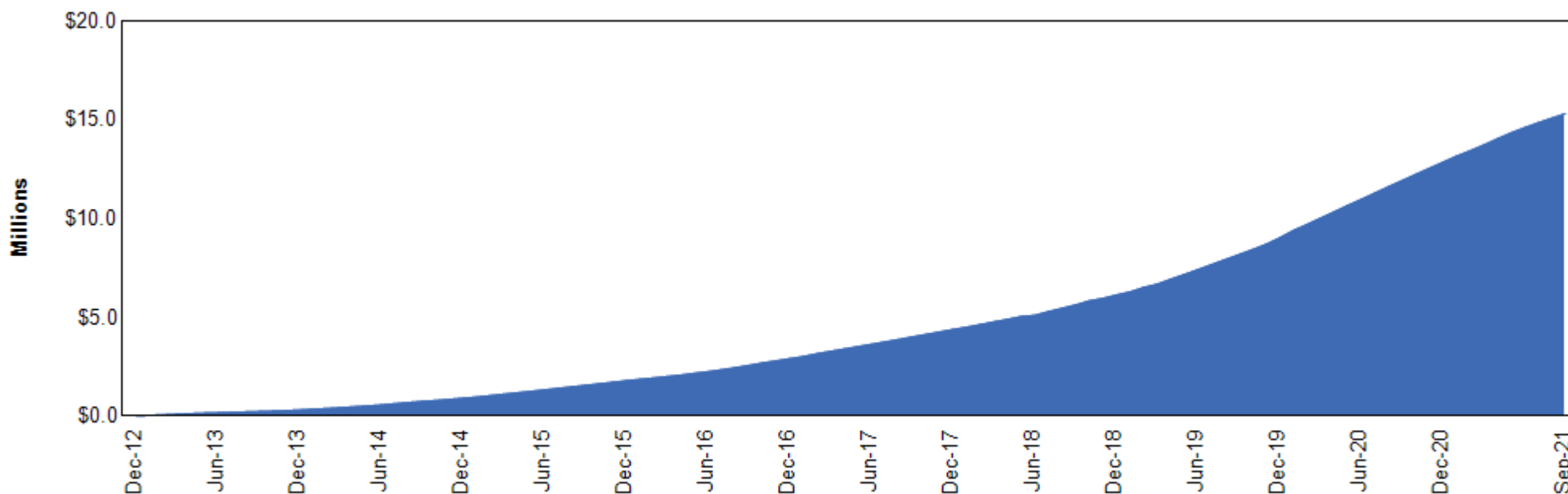
Contribution to Total Return

U.S. Treasury | 0.05% Municipal | 0.00% Cash | 0.00%
 Federal Agency | 0.00% Corporate | 0.02%



1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Income returns calculated as interest earned on investments during the period.
3. Price returns calculated as the change in market value of each security for the period.
4. Returns are presented on a periodic basis.

Accrual Basis Earnings - CITY OF SALEM LONG-TERM PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception
Interest Earned	\$707,045	\$3,134,400	\$8,862,128	\$11,820,902	\$16,430,528
Realized Gains / (Losses)	\$12,993	\$135,069	(\$113,621)	(\$224,106)	(\$102,594)
Change in Amortized Cost	(\$7,824)	\$123,444	\$937,848	\$1,150,601	(\$1,020,872)
Total Earnings	\$712,214	\$3,392,913	\$9,686,355	\$12,747,397	\$15,307,063

1. The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2012.
2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
3. Realized gains / (losses) are shown on an amortized cost basis.

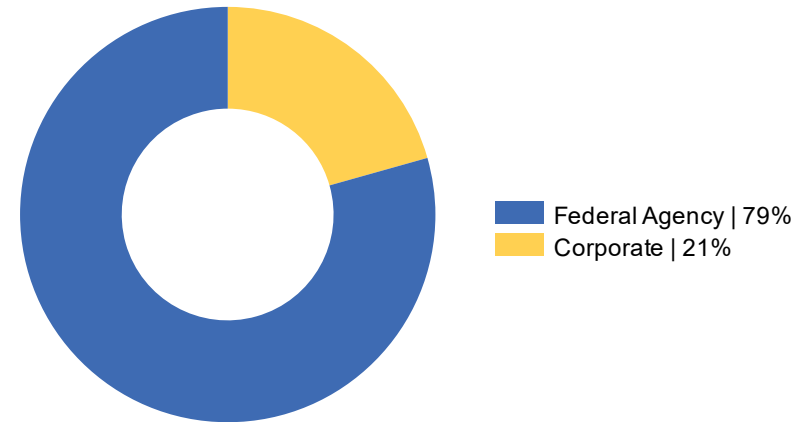
Portfolio Review:
CITY OF SALEM WATER-SEWER REV BOND 2020

Portfolio Snapshot - CITY OF SALEM WATER-SEWER REV BOND 2020¹

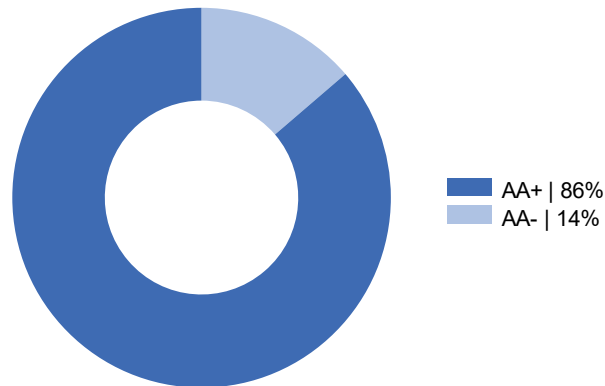
Portfolio Statistics

Total Market Value	\$9,119,684.65
Portfolio Effective Duration	1.11 years
Yield At Cost	0.39%
Yield At Market	0.24%
Portfolio Credit Quality	AA

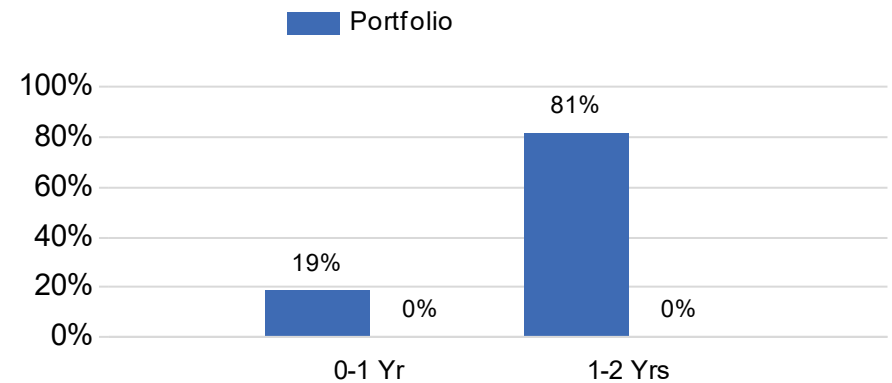
Sector Allocation



Credit Quality - S&P



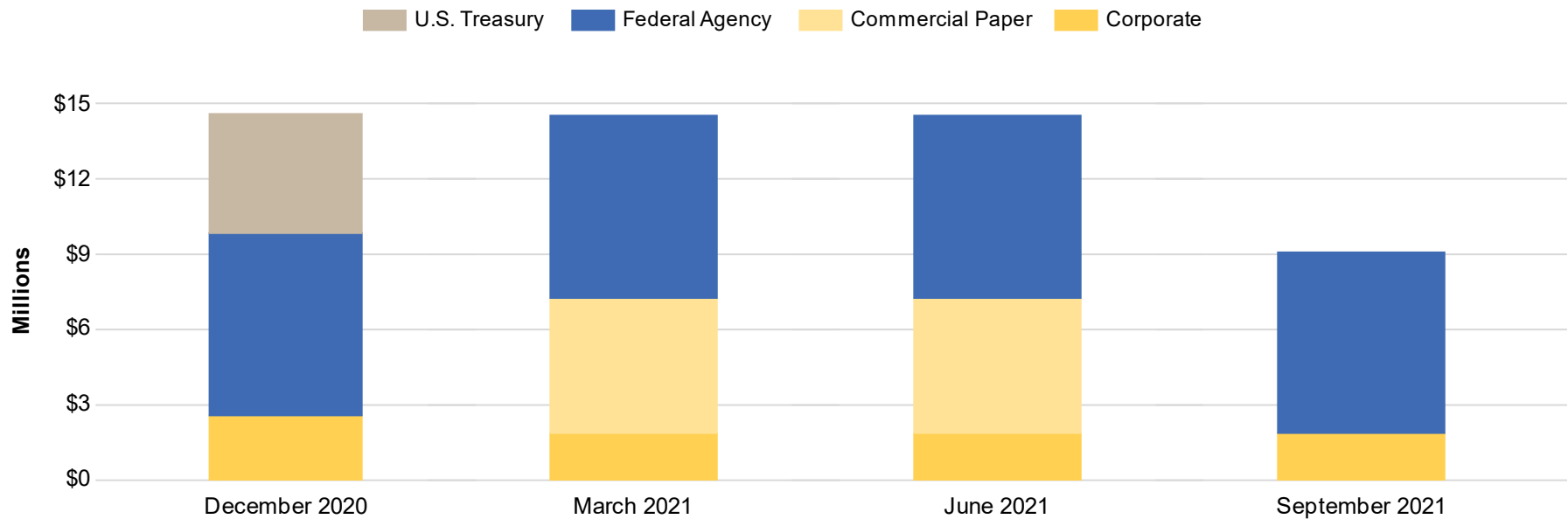
Duration Distribution



1. The portfolio's benchmark is N/A.. Source: Bloomberg.
An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation Review - CITY OF SALEM WATER-SEWER REV BOND 2020

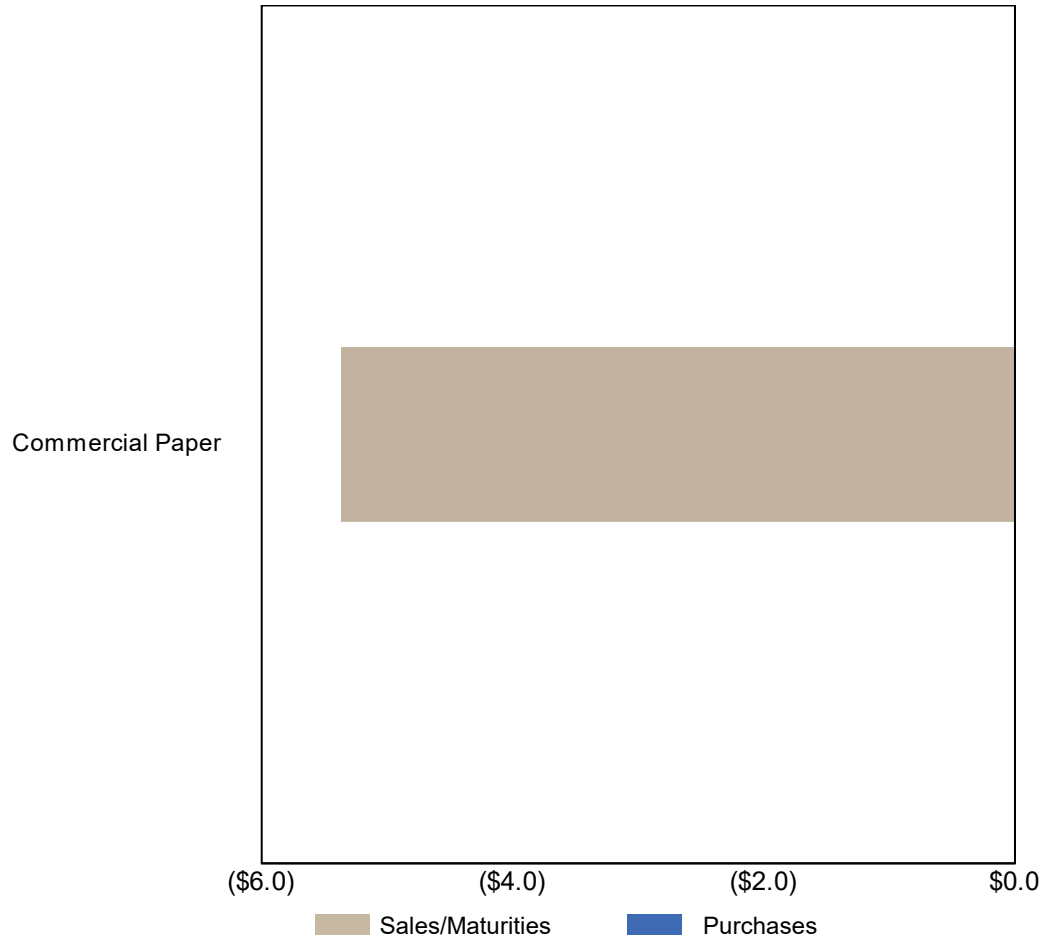
Security Type	Dec-20	% of Total	Mar-21	% of Total	Jun-21	% of Total	Sep-21	% of Total
U.S. Treasury	\$4.7	32.4%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Federal Agency	\$7.3	50.2%	\$7.3	50.1%	\$7.2	50.0%	\$7.2	79.4%
Commercial Paper	\$0.0	0.0%	\$5.4	36.9%	\$5.4	37.0%	\$0.0	0.0%
Corporate	\$2.5	17.4%	\$1.9	13.0%	\$1.9	13.0%	\$1.9	20.6%
Total	\$14.6	100.0%	\$14.5	100.0%	\$14.5	100.0%	\$9.1	100.0%



Market values, excluding accrued interest. Only includes investments held within the separately managed account(s). Detail may not add to total due to rounding.

Portfolio Activity - CITY OF SALEM WATER-SEWER REV BOND 2020

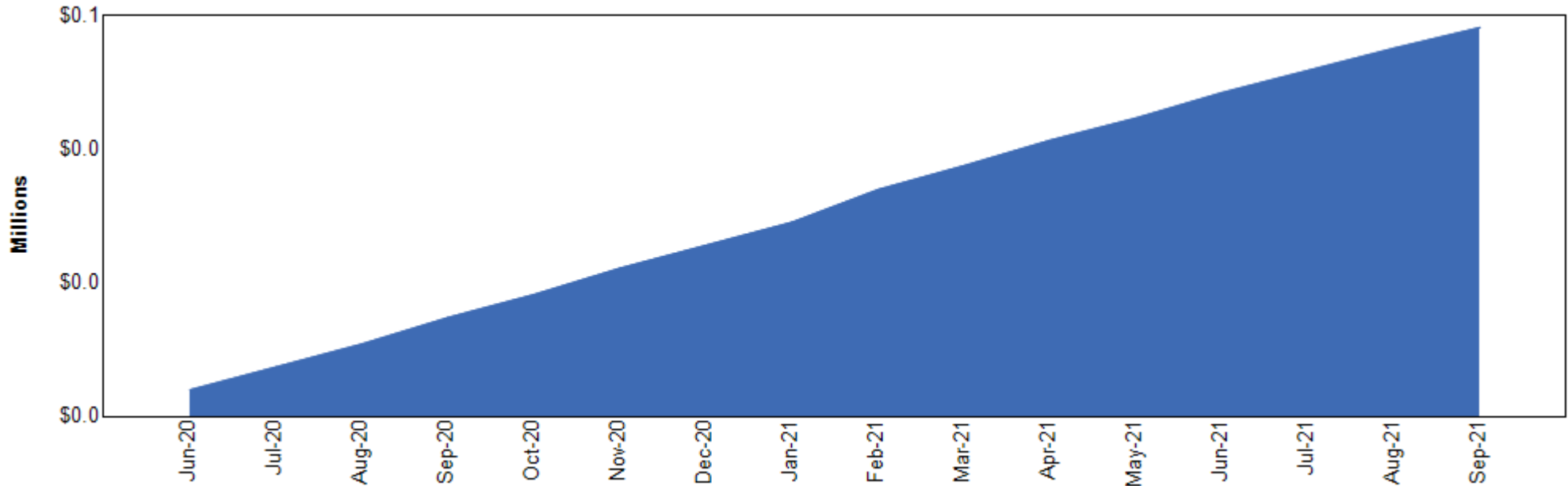
Net Activity by Sector
(\$ millions)



Sector	Net Activity
Commercial Paper	(\$5,360,000)

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Accrual Basis Earnings - CITY OF SALEM WATER-SEWER REV BOND 2020



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception
Interest Earned	\$54,267	\$222,772	-	-	\$280,531
Realized Gains / (Losses)	-	-	-	-	-
Change in Amortized Cost	(\$44,522)	(\$179,351)	-	-	(\$226,279)
Total Earnings	\$9,745	\$43,421	-	-	\$54,252

1. The lesser of 10 years or since inception is shown. Performance inception date is January 1, 1900.
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
 3. Realized gains / (losses) are shown on an amortized cost basis.

Portfolio Transactions and Holdings: CITY OF SALEM

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
7/20/21	7/22/21	2,500,000	06051GJH3	BANK OF AMERICA CORP (CALLABLE) CORPORAT	0.81%	10/24/24	2,510,075.00	0.75%	
Total BUY		2,500,000					2,510,075.00		
INTEREST									
7/11/21	7/11/21	2,750,000	89236TDP7	TOYOTA MOTOR CREDIT CORP BONDS	2.60%	1/11/22	35,750.00		
7/15/21	7/15/21	8,100,000	9128285V8	US TREASURY NOTES	2.50%	1/15/22	101,250.00		
7/21/21	7/21/21	2,850,000	3137EAEU9	FREDDIE MAC NOTES	0.37%	7/21/25	5,343.75		
7/31/21	7/31/21	4,600,000	912828V80	US TREASURY NOTES	2.25%	1/31/24	51,750.00		
7/31/21	7/31/21	5,900,000	91282CBH3	US TREASURY NOTES	0.37%	1/31/26	11,062.50		
7/31/21	7/31/21	3,750,000	912828S92	US TREASURY NOTES	1.25%	7/31/23	23,437.50		
7/31/21	7/31/21	6,000,000	91282CAB7	US TREASURY NOTES	0.25%	7/31/25	7,500.00		
8/8/21	8/8/21	5,000,000	037833EB2	APPLE INC (CALLABLE) CORPORATE NOTES	0.70%	2/8/26	17,500.00		
8/9/21	8/9/21	2,380,000	037833CG3	APPLE INC (CALLABLE) BONDS	3.00%	2/9/24	35,700.00		
8/11/21	8/11/21	2,500,000	742718EU9	PROCTER & GAMBLE CO/THE CORP NOTES	2.15%	8/11/22	26,875.00		
8/17/21	8/17/21	4,500,000	3130AJ7E3	FEDERAL HOME LOAN BANKS NOTES	1.37%	2/17/23	30,937.50		
8/31/21	8/31/21	4,500,000	9128282D1	US TREASURY NOTES	1.37%	8/31/23	30,937.50		
8/31/21	8/31/21	2,665,000	91282CBQ3	US TREASURY NOTES	0.50%	2/28/26	6,662.50		
8/31/21	8/31/21	2,500,000	912828W55	US TREASURY NOTES	1.87%	2/28/22	23,437.50		
8/31/21	8/31/21	5,250,000	912828YE4	US TREASURY NOTES	1.25%	8/31/24	32,812.50		
9/3/21	9/3/21	2,500,000	478160CD4	JOHNSON & JOHNSON CORP NOTES	2.25%	3/3/22	28,125.00		
9/15/21	9/15/21	5,470,000	912828YF1	US TREASURY NOTES	1.50%	9/15/22	41,025.00		
9/15/21	9/15/21	5,000,000	91282CBR1	US TREASURY NOTES	0.25%	3/15/24	6,250.00		
9/18/21	9/18/21	2,000,000	09247XAL5	BLACKROCK INC CORP NOTES	3.50%	3/18/24	35,000.00		
9/23/21	9/23/21	3,900,000	3137EAEX3	FREDDIE MAC NOTES	0.37%	9/23/25	7,312.50		

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)
9/30/21	9/30/21	3,750,000	912828Q29	US TREASURY NOTES	1.50%	3/31/23	28,125.00		
9/30/21	9/30/21	3,750,000	912828T26	US TREASURY NOTES	1.37%	9/30/23	25,781.25		
9/30/21	9/30/21	4,600,000	912828W71	US TREASURY NOTES	2.12%	3/31/24	48,875.00		
9/30/21	9/30/21	4,600,000	912828YH7	US TREASURY NOTES	1.50%	9/30/24	34,500.00		
Total INTEREST		98,815,000					695,950.00		
MATURITY									
9/30/21	9/30/21	875,000	912828T34	US TREASURY NOTES	1.12%	9/30/21	879,921.88		0.00
Total MATURITY		875,000					879,921.88		0.00
SELL									
7/20/21	7/22/21	2,500,000	912828T34	US TREASURY NOTES	1.12%	9/30/21	2,513,956.84		12,993.02
Total SELL		2,500,000					2,513,956.84		12,993.02

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
7/11/21	7/11/21	1,080,000	3135G0U92	FANNIE MAE NOTES	2.62%	1/11/22	14,175.00		
7/19/21	7/19/21	5,950,000	3135G0T94	FANNIE MAE NOTES	2.37%	1/19/23	70,656.25		
8/11/21	8/11/21	615,000	742718EU9	PROCTER & GAMBLE CO/THE CORP NOTES	2.15%	8/11/22	6,611.25		
8/23/21	8/23/21	605,000	037833BU3	APPLE CORP NOTES (CALLABLE)	2.85%	2/23/23	8,621.25		
Total INTEREST		8,250,000					100,063.75		
MATURITY									
9/3/21	9/3/21	5,360,000	63873JW30	NATIXIS NY BRANCH COMM PAPER	0.00%	9/3/21	5,360,000.00		0.00
Total MATURITY		5,360,000					5,360,000.00		0.00

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											
US TREASURY NOTES DTD 10/15/2018 2.875% 10/15/2021	9128285F3	7,465,000.00	AA+	Aaa	11/9/2018	11/13/2018	7,440,797.07	2.99	99,099.91	7,464,682.44	7,471,998.44
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	29,405.74	4,991,757.06	5,013,281.00
US TREASURY NOTES DTD 01/15/2019 2.500% 01/15/2022	9128285V8	8,100,000.00	AA+	Aaa	1/30/2019	1/31/2019	8,085,761.72	2.56	42,921.20	8,098,602.54	8,156,952.72
US TREASURY NOTES DTD 02/28/2017 1.875% 02/28/2022	912828W55	2,500,000.00	AA+	Aaa	2/26/2019	2/27/2019	2,458,203.13	2.46	4,014.16	2,494,284.84	2,518,750.00
US TREASURY NOTES DTD 05/01/2017 1.875% 04/30/2022	912828X47	5,400,000.00	AA+	Aaa	5/10/2019	5/16/2019	5,348,531.25	2.21	42,370.92	5,389,944.53	5,456,531.52
US TREASURY NOTES DTD 04/30/2015 1.750% 04/30/2022	912828WZ9	1,750,000.00	AA+	Aaa	5/8/2019	5/13/2019	1,726,074.22	2.23	12,815.90	1,745,338.56	1,767,226.65
US TREASURY NOTES DTD 05/31/2017 1.750% 05/31/2022	912828XR6	960,000.00	AA+	Aaa	9/19/2019	9/20/2019	961,312.50	1.70	5,645.90	960,322.79	970,650.05
US TREASURY NOTES DTD 09/15/2019 1.500% 09/15/2022	912828YF1	5,470,000.00	AA+	Aaa	11/13/2019	11/15/2019	5,448,632.81	1.64	3,626.52	5,462,795.02	5,543,503.13
US TREASURY NOTES DTD 11/15/2012 1.625% 11/15/2022	912828TY6	5,000,000.00	AA+	Aaa	11/13/2019	11/15/2019	4,995,117.19	1.66	30,689.54	4,998,173.40	5,084,375.00
US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828Q29	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,738,574.22	1.59	154.53	3,744,911.52	3,823,828.13
US TREASURY NOTES DTD 05/02/2016 1.625% 04/30/2023	912828R28	4,500,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,506,503.91	1.58	30,601.22	4,503,137.56	4,600,547.10
US TREASURY NOTES DTD 08/01/2016 1.250% 07/31/2023	912828S92	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,702,685.55	1.60	7,897.42	3,726,553.37	3,818,554.50
US TREASURY NOTES DTD 08/31/2016 1.375% 08/31/2023	912828D1	4,500,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,466,425.78	1.59	5,298.69	4,482,180.43	4,594,922.10
US TREASURY NOTES DTD 09/30/2016 1.375% 09/30/2023	912828T26	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,717,480.47	1.61	141.66	3,733,174.78	3,831,445.50
US TREASURY NOTES DTD 01/03/2017 2.250% 12/31/2023	912828V23	3,530,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,619,491.02	1.61	20,072.08	3,578,948.79	3,681,128.13

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 01/31/2017 2.250% 01/31/2024	912828V80	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,718,953.13	1.61	17,437.50	4,666,414.20	4,801,968.52
US TREASURY NOTES DTD 03/15/2021 0.250% 03/15/2024	91282CBR1	5,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	4,992,773.44	0.30	552.49	4,993,914.48	4,982,812.50
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,698,289.06	1.61	268.54	4,656,519.31	4,796,218.52
US TREASURY N/B NOTES DTD 04/15/2021 0.375% 04/15/2024	91282CBV2	2,500,000.00	AA+	Aaa	4/27/2021	4/28/2021	2,501,464.84	0.36	4,328.89	2,501,253.84	2,497,656.25
US TREASURY NOTES DTD 05/31/2017 2.000% 05/31/2024	912828XT2	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,333,876.95	1.62	35,286.89	5,301,296.21	5,465,742.45
US TREASURY NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,678,343.75	1.61	23,250.00	4,646,856.76	4,793,343.52
US TREASURY NOTES DTD 08/31/2019 1.250% 08/31/2024	912828YE4	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,163,457.03	1.62	5,619.82	5,195,235.73	5,364,023.70
US TREASURY NOTES DTD 09/30/2019 1.500% 09/30/2024	912828YH7	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,575,742.19	1.61	189.56	4,584,984.57	4,735,125.00
US TREASURY NOTES DTD 10/31/2019 1.500% 10/31/2024	912828YM6	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,219,238.28	1.63	32,955.16	5,230,138.94	5,404,218.75
US TREASURY NOTES DTD 11/17/2014 2.250% 11/15/2024	912828G38	4,070,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,192,735.94	1.62	34,589.47	4,147,157.97	4,284,946.88
US TREASURY NOTES DTD 12/31/2019 1.750% 12/31/2024	912828YY0	4,750,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,777,275.39	1.63	21,007.13	4,767,936.78	4,928,866.95
US TREASURY NOTES DTD 07/31/2020 0.250% 07/31/2025	91282CAB7	6,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,898,984.38	0.65	2,527.17	5,909,814.39	5,885,625.00
US TREASURY NOTES DTD 12/31/2020 0.375% 12/31/2025	91282CBC4	2,000,000.00	AA+	Aaa	1/15/2021	1/19/2021	1,992,500.00	0.45	1,895.38	1,993,558.38	1,960,000.00
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	5,900,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,790,066.41	0.77	3,727.58	5,800,614.01	5,773,703.42
US TREASURY NOTES DTD 02/28/2021 0.500% 02/28/2026	91282CBQ3	2,665,000.00	AA+	Aaa	3/16/2021	3/18/2021	2,623,255.27	0.82	1,141.09	2,627,803.78	2,620,028.13

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		132,460,000.00					132,222,937.53	1.66	519,532.06	132,398,306.98	134,627,973.56
Federal Agency Bond / Note											
FEDERAL HOME LOAN BANKS NOTES DTD 02/21/2020 1.375% 02/17/2023	3130AJ7E3	4,500,000.00	AA+	Aaa	4/13/2020	4/15/2020	4,617,990.00	0.44	7,562.50	4,557,289.94	4,572,756.00
FREDDIE MAC NOTES DTD 07/23/2020 0.375% 07/21/2025	3137EAEU9	2,850,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,844,129.00	0.42	2,078.13	2,845,183.21	2,806,355.10
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	1,400,000.00	AA+	Aaa	9/29/2020	9/30/2020	1,397,830.00	0.41	116.67	1,398,266.62	1,378,148.80
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	2,500,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,490,025.00	0.46	208.33	2,491,750.90	2,460,980.00
Security Type Sub-Total		11,250,000.00					11,349,974.00	0.44	9,965.63	11,292,490.67	11,218,239.90
Corporate Note											
TOYOTA MOTOR CREDIT CORP BONDS DTD 01/09/2017 2.600% 01/11/2022	89236TDP7	2,750,000.00	A+	A1	1/8/2019	1/10/2019	2,705,972.50	3.16	15,888.89	2,745,906.29	2,767,154.50
JOHNSON & JOHNSON CORP NOTES DTD 03/03/2017 2.250% 03/03/2022	478160CD4	2,500,000.00	AAA	Aaa	3/5/2019	3/7/2019	2,467,900.00	2.70	4,375.00	2,495,502.47	2,516,962.50
PROCTER & GAMBLE CO/THE CORP NOTES DTD 08/11/2017 2.150% 08/11/2022	742718EU9	2,500,000.00	AA-	Aa3	11/13/2019	11/15/2019	2,524,850.00	1.78	7,465.28	2,507,802.90	2,542,802.50
APPLE INC (CALLABLE) BONDS DTD 02/09/2017 3.000% 02/09/2024	037833CG3	2,380,000.00	AA+	Aa1	1/17/2020	1/22/2020	2,477,699.00	1.94	10,313.33	2,435,089.27	2,508,574.74
BLACKROCK INC CORP NOTES DTD 03/18/2014 3.500% 03/18/2024	09247XAL5	2,000,000.00	AA-	Aa3	11/19/2019	11/21/2019	2,130,520.00	1.92	2,527.78	2,074,311.26	2,142,198.00
BANK OF AMERICA CORP (CALLABLE) CORPORAT DTD 10/21/2020 0.810% 10/24/2024	06051GJH3	2,500,000.00	A-	A2	7/20/2021	7/22/2021	2,505,125.00	0.75	8,831.25	2,504,683.40	2,509,632.50
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/11/2021	3/15/2021	2,048,380.00	0.96	12,086.67	2,041,877.31	2,044,526.00

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
Corporate Note											
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/12/2021	3/16/2021	2,041,100.00	1.05	12,086.67	2,035,599.73	2,044,526.00
JPMORGAN CHASE & CO CORPORATE NOTES DTD 06/01/2021 0.824% 06/01/2025	46647PCH7	5,000,000.00	A-	A2	5/25/2021	6/1/2021	5,010,350.00	0.77	13,733.33	5,009,485.73	4,980,250.00
MICROSOFT CORP NOTES DTD 11/03/2015 3.125% 11/03/2025	594918BJ2	2,000,000.00	AAA	Aaa	3/16/2021	3/18/2021	2,186,160.00	1.06	25,694.44	2,164,472.53	2,165,712.00
APPLE INC (CALLABLE) CORPORATE NOTES DTD 02/08/2021 0.700% 02/08/2026	037833EB2	5,000,000.00	AA+	Aa1	2/8/2021	2/10/2021	4,996,800.00	0.71	5,152.78	4,997,208.77	4,940,045.00
AMAZON.COM INC CORPORATE NOTES DTD 05/12/2021 1.000% 05/12/2026	023135BX3	5,000,000.00	AA	A1	6/8/2021	6/10/2021	5,010,400.00	0.96	19,305.56	5,009,746.02	4,994,190.00
TORONTO-DOMINION BANK CORPORATE NOTES DTD 06/03/2021 1.200% 06/03/2026	89114TZD7	2,500,000.00	A	A1	6/16/2021	6/18/2021	2,509,725.00	1.12	9,833.33	2,509,161.15	2,484,867.50
Security Type Sub-Total		38,130,000.00					38,614,981.50	1.35	147,294.31	38,530,846.83	38,641,441.24
Managed Account Sub Total		181,840,000.00					182,187,893.03	1.52	676,792.00	182,221,644.48	184,487,654.70
Securities Sub-Total		\$181,840,000.00					\$182,187,893.03	1.52%	\$676,792.00	\$182,221,644.48	\$184,487,654.70
Accrued Interest											\$676,792.00
Total Investments											\$185,164,446.70

Bolted 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
Federal Agency Bond / Note											
FANNIE MAE NOTES DTD 01/11/2019 2.625% 01/11/2022	3135G0U92	1,080,000.00	AA+	Aaa	4/27/2020	4/29/2020	1,122,260.40	0.32	6,300.00	1,086,930.16	1,087,666.92
FANNIE MAE NOTES DTD 01/23/2018 2.375% 01/19/2023	3135G0T94	5,950,000.00	AA+	Aaa	4/24/2020	4/28/2020	6,284,509.00	0.30	28,262.50	6,109,529.89	6,118,771.75
Security Type Sub-Total		7,030,000.00					7,406,769.40	0.30	34,562.50	7,196,460.05	7,206,438.67
Corporate Note											
PROCTER & GAMBLE CO/THE CORP NOTES DTD 08/11/2017 2.150% 08/11/2022	742718EU9	615,000.00	AA-	Aa3	4/24/2020	4/28/2020	637,847.25	0.51	1,836.46	623,591.66	625,529.42
VISA INC CORPORATE (CALLABLE) NOTES DTD 12/14/2015 2.800% 12/14/2022	92826CAC6	605,000.00	AA-	Aa3	4/27/2020	4/29/2020	636,490.25	0.79	5,034.94	618,255.36	620,650.14
APPLE CORP NOTES (CALLABLE) DTD 02/23/2016 2.850% 02/23/2023	037833BU3	605,000.00	AA+	Aa1	4/30/2020	5/4/2020	639,013.10	0.82	1,820.04	620,823.33	623,812.48
Security Type Sub-Total		1,825,000.00					1,913,350.60	0.71	8,691.44	1,862,670.35	1,869,992.04
Managed Account Sub Total		8,855,000.00					9,320,120.00	0.39	43,253.94	9,059,130.40	9,076,430.71
Securities Sub-Total		\$8,855,000.00					\$9,320,120.00	0.39%	\$43,253.94	\$9,059,130.40	\$9,076,430.71
Accrued Interest											\$43,253.94
Total Investments											\$9,119,684.65

Bolded items are forward settling trades.

Important Disclosures

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- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv or Bloomberg. 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.
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- 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.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **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 Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **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.
- **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.

Glossary

- **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.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **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.