**CITY OF HILLSBORO**
**FINANCE COMMITTEE**

**Preliminary Agenda**

Sign language interpreters and Assistive Listening Devices (ALD)
are available and can be scheduled for this meeting.
To obtain this service, please call (503) 681-6100, 48 hours prior to the meeting.

Public comment on agenda items is limited to three minutes.

**5:30 PM** **Tuesday, November 8, 2011**
**Civic Center Conference Room C207** **Regular Meeting**
**150 E. Main St.**

**CALL TO ORDER**

Consider minutes: October 11, 2011

**1. ITEMS FOR RECOMMENDATION TO CITY COUNCIL:**

A. Consider forwarding a recommendation to City Council to approve two additional regular, full-time positions and reclassify one full-time position for the Parks and Recreation Department effective immediately, authorize the transfer of any necessary appropriations for Fiscal Year 2011-12, and add the following PERS-eligible positions to the 2011-12 Pay Plan: (Unbudgeted item) *Staff Report – Debbie Hazel and Wayne Gross*

1. *Senior Center Manager* (reclassification) – $5,174 to $6,605 per month (Pay Range 21)
2. *Administrative Assistant II* – $3,120-$3,983 per month (Pay Range 14)
3. *Custodian* – $2,336-$2,982 per month (Pay Range 10)

B. Consider forwarding a recommendation to City Council to approve a contract with Accela, Inc. for the Enterprise Land Information System (ELIS) software solution in an amount not to exceed $616,000, and authorize the Mayor and City Recorder to execute the documents (subject to City Attorney review). (Budgeted item) *Staff Report – Carol Brown*

C. Consider forwarding a recommendation to City Council to adopt an ordinance amending Hillsboro Municipal Code Sections 3.28.090 and 3.28.100 to clarify collection procedures for system development charges (SDC) and clarify hearing procedures for delinquent charges. *Staff Report – Suzanne Linneen*

D. Consider forwarding a recommendation to City Council to approve grant awards for the community services grant program for Fiscal Year 2011-12. (Budgeted item) *Staff Report – Chris Hartye*

## 2. ITEMS FOR FINANCE COMMITTEE ACTION:

A. None.

## 3. ADVICE/INFORMATION ITEMS:

A. Hillsboro Economic Development Partnership and Visitors' Information Center Quarterly Report – *Chamber Business Development Coordinator Jon-Michael Kowertz*

B. Monthly Investment Report – September 2011

DRAFT



**CITY OF HILLSBORO**
**FINANCE COMMITTEE**

**Minutes**

**5:30 PM** | **Tuesday, October 11, 2011**
**Civic Center Conference Room C207** | **Regular Meeting**
**150 E. Main St.**

**CALL TO ORDER**
**Present: Councilors Nenice Andrews, Darell Lumaco and Olga Acuña**
**Staff Present: Michael Brown, Ellen Conley, Amber Ames, Debbie Hazel, Scott Malone, John Southgate, Suzanne Linneen and Michelle Wareing**

Consider minutes: August 9, 2011
September 13, 2011

Motion was made by Lumaco, seconded by Acuña, to approve the minutes as presented. The motion passed unanimously with Andrews, Lumaco and Acuña voting in favor.

**1. ITEMS FOR RECOMMENDATION TO CITY COUNCIL:**

A. Consider forwarding a recommendation to City Council to approve the following Pay Plan adjustments in the Police Department, effective the pay period beginning October 25, 2011: (Unbudgeted item) *Staff Report – Debbie Hazel*

1. Establish a new higher pay range for the budgeted sworn *Deputy Police Chief* position from a PERS-eligible Pay Range 26 to a PERS-eligible Pay Range of $7,802 to $9,958 per month; and
2. Establish a new higher pay range for the budgeted sworn *Police Commander* positions from a PERS-eligible Pay Range 25 to a PERS-eligible Pay Range of $7,254 to $9,259 per month; and
3. Establish a new higher pay range for the budgeted non-sworn *Police Support Services Division Manager* position from a PERS-eligible Pay Range 25 to a PERS-eligible Pay Range of $7,254 to $9,259 per month; and
4. Establish a new higher pay range for the budgeted sworn *Police Lieutenant* positions from a PERS-eligible Pay Range 24 to a PERS-eligible Pay Range of $6,753 to $8,619 per month; and
5. Establish a new higher pay range for the budgeted non-sworn *Police Administrative Services Manager* position from a PERS-eligible Pay Range 24 to a PERS-eligible Pay Range of $6,753 to $8,619 per month; and
6. Establish a new higher pay range for the budgeted sworn *Police Sergeant* positions from a PERS-eligible Pay Range 22 to a PERS-eligible Pay Range of $5,842 to $7,456 per month.

Ms. Hazel indicated the salary decision was based on comparable internal and external salaries. Some positions will remain vacant to offset the impacts of the salary adjustments.

Motion was made by Lumaco, seconded by Acuña, to forward a recommendation to Council to approve the Pay Plan adjustments in the Police Department listed above, effective the pay period beginning October 25, 2011. The motion passed unanimously with Lumaco, Acuña and Andrews voting in favor.

B. Consider forwarding a recommendation to City Council to approve the following cost neutral reorganizational changes in the Fire Department, due to operational needs, to be made effective the pay period beginning October 25, 2011: (Budgeted item) *Staff Report – Debbie Hazel*

1. Reclassify the budgeted *Management Analyst* position (Pay Range 20) to a *Program and Support Manager* position at a PERS-eligible Pay Range 22 ($5,249 to $7,101 per month); and
2. Downgrade one vacant, budgeted *Fire Logistics Battalion Chief* position at a PERS-eligible Pay Range 24 to an *Administrative Assistant II* position at a PERS-eligible Pay Range 14 ($2,943 to $3,983 per month).

In response to a question from Councilor Andrews on the position downgrade, Mr. Malone said the reclassification would address an administrative support need.

Motion was made by Acuña, seconded by Lumaco, to forward a recommendation to City Council to approve the cost neutral reorganizational changes in the Fire Department listed above, due to operational needs, to be made effective the pay period beginning October 25, 2011. The motion passed unanimously with Acuña, Andrews and Lumaco voting in favor.

C. Consider forwarding a recommendation to City Council to approve a disposition and development agreement with Metro and Tokola Properties for the real property located at 350 East Main Street, and authorize the Mayor and City Recorder to execute the documents. (Budgeted item) *Staff Report – John Southgate*

Mr. Southgate said staff was working on some financing tools. Councilor Andrews asked what would happen if the project stalls, and Mr. Southgate said the project is still not 100% guaranteed to move forward. A couple of issues need to be addressed including the removal and remediation of an underground storage tank and indemnification of the design process. In response to a question on use of system development charges funds for urban renewal, Mr. Southgate said this would be a first for Hillsboro but not for the state. Mr. Southgate said assuming the project moves forward, construction would begin in spring of 2012.

Motion was made by Lumaco, seconded by Acuña, to forward a recommendation to City Council to approve a disposition and development agreement with Metro and Tokola Properties for the real property located at 350 East Main Street, and authorize the Mayor and City Recorder to execute the documents. The motion passed unanimously with Andrews, Lumaco and Acuña voting in favor.

D. Consider forwarding a recommendation to City Council to approve the purchase of a fire engine in the amount of $518,704 from H&W Emergency Vehicles and transfer any necessary appropriations. (Budgeted item) *Staff Report – Scott Malone*

Mr. Malone said a pump in the 1994 Spartan fire engine failed one week ago and a new engine was budgeted for to replace it. After weighing the decision to purchase a new engine or repair the failed pump, staff recommends moving forward with the purchase. After the new engine is built, the 1994 engine may be given to another department or sold as surplus.

Motion was made by Acuña, seconded by Lumaco, to forward a recommendation to City Council to approve the purchase of a fire engine in the amount of $518,704 from H&W Emergency Vehicles and transfer any necessary appropriations. The motion passed unanimously with Lumaco, Acuña and Andrews voting in favor.

E. Consider forwarding a recommendation to City Council to approve an intergovernmental agreement with the Hillsboro Economic Development Commission (HEDC) for administrative services provided by the City to HEDC, and authorize the Mayor and City Recorder to execute the documents. *Staff Report – Suzanne Linneen and John Southgate*

Ms. Linneen said the City Attorney's office recommended the agreement for administrative services support between the two agencies.

Motion was made by Lumaco, seconded by Acuña, to forward a recommendation to City Council to approve an intergovernmental agreement with the Hillsboro Economic Development Commission (HEDC) for administrative services provided by the City to HEDC, and authorize the Mayor and City Recorder to execute the documents. The motion passed unanimously with Acuña, Andrews and Lumaco voting in favor.

F. Consider forwarding a recommendation to City Council to approve a memorandum of understanding with Community Housing Fund for $80,000, and authorize the Mayor and City Recorder to execute the documents. (Budgeted item) *Staff Report – Ellen Conley*

In response to a question from Councilor Andrews on how the funding affects the program, Ramsay Weit, Executive Director of the Community Housing Fund, said the partnership is very important and favors the idea of annual reports.

Motion was made by Lumaco, seconded by Acuña, to forward a recommendation to City Council to approve a memorandum of understanding with Community Housing Fund for $80,000, and authorize the Mayor and City Recorder to execute the documents. The motion passed unanimously with Andrews, Lumaco and Acuña voting in favor.

**2. ITEMS FOR FINANCE COMMITTEE ACTION:**

A. None.

**3. ADVICE/INFORMATION ITEMS:**

A. Monthly Investment Report – August 2011

There being no further business to come before the Finance Committee, the meeting was adjourned at 6:42 PM.

CITY OF HILLSBORO

**MEMORANDUM**

**TO:** Finance Committee

**FROM:** Debbie Hazel, Human Resources Manager
Wayne Gross, Assistant Parks & Recreation Director

**DATE:** November 8, 2011

**RE:** Supplemental Funding for the Operation of the Hillsboro Senior Center – Two Additional FTE and Reclassification of One Full-Time Position

Please consider forwarding a recommendation to City Council for approval of two additional regular, full-time and reclassification of one full-time position for *Parks & Recreation Department* positions for the acquisition of the Senior Center effective immediately and authorize the transfer of any necessary appropriations for FY 11-12. The following positions will be added to the 2011-12 Pay Plan:

| | | |
|---|---|---|
| *Senior Center Manager reclassification to* | *Range 21* | *$5174 to $6605/mo (PERS-eligible)* |
| *Administrative Assistant II (1 FTE)* | *Range 14* | *$3120 to $3983/mo (PERS-eligible)* |
| *Custodian (1 FTE)* | *Range 10* | *$2336 to $2982/mo (PERS-eligible)* |

**Background:**
The City Council recently passed a resolution terminating the agreement with the non-profit Community Senior Center of Hillsboro (CSCH) for the operation of the City of Hillsboro Senior Center. The resolution directed the Parks and Recreation Department to develop a budget and transition plan which would allow the City to begin operation of the Center effective January 1, 2012. This funding request is in response to this directive. Currently, the City pays for the cost of the Senior Center Director and all expenses related to the operation and maintenance of the building. CSCH is responsible for all expenses relating to the other employees and any program related expenses. As of January 1, 2012, the City will be responsible for all the expenses relating to the operation of the Senior Center including the personnel, materials and supplies, building maintenance and programs. Additionally, all revenues from the programs, building use and private rentals will come to the City. The CSCH is in the process of transitioning into a "Friends of the Senior Center" organization that would provide financial support to the Senior Center on an on-going basis.

Currently, the City employs a Senior Center Director to work with the CSCH in the operation of the facility. We recommend that this position be upgraded to that of Senior Center Manager responsible for the overall management of the facility. The Manager will be responsible for the facility budget, supervision of all staff, development of programs and building policies, oversight of volunteers, and rental of the facility to private users. Currently, these duties are either performed by the non-profit Board of CSCH or Parks Administrative staff. This position will have similar responsibilities to those of a Facility Manager at other Parks and Recreation locations. The reclassification is based on a factor point analysis of this position verified by internal equity and external market data.

The new Administrative Assistant II position will replace the Office Manager position that is currently an employee of the CSCH. The principal function of an employee in this class is to perform a variety of technical clerical and administrative support functions for an assigned department. This position will be responsible for maintaining a calendar of all activities and the use of all spaces in the building. Other duties will include registering patrons for classes, preparing bank deposits, responding to patron inquiries about programs, overseeing the medical equipment rental program, and orienting and training volunteers to assist at the reception desk.

The new Custodian position will replace the current contract with PHC. The principal function of an employee in this class is to perform janitorial, small building maintenance, occasional minor grounds keeping and servicing duties to keep City facilities and equipment clean and orderly. In addition, this position will also be responsible for setup and breakdown of the various spaces in the building to accommodate the various program needs.

In addition to the positions listed here, there will also be a need to create five additional positions to operate the food service program of the Center. These will include a Head Chef and Assistant Chef at 35 hours/week and three Kitchen Aides at 30 hours/week. These positions are currently going through the class/comp analysis and will be presented to you for your consideration at a later date.

***Budget Impact*:** The annual salary cost for the additional two positions and the reclassification of the existing position is approximately $75,470 plus employer costs and benefits of approximately $30,017 for a total of $105,487. The cost for the remainder of the 2011-12 fiscal year is approximately $52,743.

***Recommendation*:** Please consider forwarding a recommendation to City Council for approval of two additional regular, full-time and reclassification of one full-time position for *Parks & Recreation Department* positions for the acquisition of the Senior Center effective immediately and authorize the transfer of any necessary appropriations for FY 11-12. The following positions will be added to the 2011-12 Pay Plan:

| | | |
|---|---|---|
| *Senior Center Manager reclassification to* | *Range 21* | *$5174 to $6605/mo (PERS-eligible)* |
| *Administrative Assistant II (1 FTE)* | *Range 14* | *$3120 to $3983/mo (PERS-eligible)* |
| *Custodian (1 FTE)* | *Range 10* | *$2336 to $2982/mo (PERS-eligible)* |

# CITY OF HILLSBORO

**DATE:** November 1st, 2011

**TO:** Finance Committee

**FROM:** Carol L. Brown, Systems Analyst: Information Services Department
Greg Mont, Information Services Director
Dennis Carney, Building Official
Bob Sanders for Tom Arnold, Assistant Public Works Director
Kevin Hanway, Water Department Director
Greg Nelson, Fire Chief
Cindy Bolek: Police Support Services Division Manager

**SUBJECT:** Professional Services Contract with Accela Inc. to provide an Enterprise Land Information System software solution.

**REQUESTED ACTION:**

The Information Services Department respectfully requests that the Finance Committee consider forwarding a recommendation to City Council to award the contract for an Enterprise Land Information System software solution to Accela Inc. for an amount not to exceed $616,000 and authorize the Mayor and City Recorder to execute the documents subject to legal review.

**BACKGROUND:**
This contract is a multi-year technology investment to replace the existing 12 year old permitting system (Permits Plus) used primarily in the Building, Engineering, Water, and Planning Department to track construction permits, process related fees, plan reviews and inspections.

Based on the original software replacement request in the Strategic Technology Plan and approval by the Technology Steering Committee in 2008 to proceed, the Information Services Department (IS) conducted a city wide needs assessment and the results were presented to the Permits Forum in February 2009. Many issues were identified with the current system including the following:

- Lack of a cross departmental, fully integrated community development system
- independent work silos with limited integrations
- Lack of automated workflow throughout
- Limited citizen access
- Lack of GIS integration
- Lack of integrated Code Enforcement

Understanding the importance of a single system utilized by all Community Development Departments (CDD), and the need to integrate Police/Code Enforcement and Fire Inspections, automated workflow and enhanced citizen use and communication, we were given approval to proceed with a replacement project. The new system will be utilized fully by the Planning, Engineering, Building, Water, Fire and Police/Code Enforcement Departments.

The IS Department's first step in preparing for the new system was to work with the above mentioned departments to document existing business workflow and the 'AS IS' permitting/inspection processes. Defining and creating over 70 cross departmental Business Process diagrams that illustrate our existing way of doing

business was important for a software replacement project of this magnitude. Additionally, we were allowed the opportunity to resolve many outstanding issues and concerns which provided us with many of the City's 'To Be' processes for implementation with the new system.

The next step in the replacement project was to define our functional and technical requirements and create the Request for Proposal (RFP). Five vendors responded and were evaluated by the Selection Committee. Three vendors were short-listed and invited to provide the City with a three day scripted presentation. While EnerGov Solutions was the initial vendor of choice, after extensive reference checks, multiple site visits and further deliberation, the City withdrew our Letter of Intent to Award to EnerGov Solutions and has negotiated with Accela Inc., our original second place vendor of choice. All of the departments impacted by this project agree with this decision.

**PROJECT INCLUSIONS:**

The Permits Plus Replacement project will include the implementation of a multi-departmental Permitting and Land Management Suite comprised of Project / Land Use Mgmt, Permit Mgmt, Plan Mgmt, Request Mgmt, Inspections, and Code Enforcement Mgmt. Additionally, as part of the purchase, advanced GIS integration; and a citizen access web portal for online electronic 'paperless' plan submittal, inquiry, inspection scheduling, and permit purchasing will be included and implemented.

NOTE: Electronic Plan Review is not included in the permit system and will be purchased from a 3rd party vendor.

**FINANCIAL IMPACT:**

The Planning, Engineering, Building, Water, Police/Code Enforcement and Fire Departments have pooled resources to provide $616,000 in FY 2011-2012 budget to acquire and implement this software solution.

This contract is for a not to exceed amount of $616,000.

**RECOMMENDATION:**

Please consider forwarding a recommendation to City Council to award the contract for an Enterprise Land Management System software solution to Accela Inc. for an amount not to exceed $616,000 and authorize the Mayor and City Recorder to execute the documents subject to legal review.

In addition, please consider forwarding a recommendation to City Council to delegate authority to the City Manager to amend this contract up to $100,000 for additional time / materials cost, and implementation services if budgeted funds are available.

CITY OF HILLSBORO

**To:** Finance Committee
**From:** Finance Department
**Date:** November 8, 2011
**Subject:** SDC Collection Procedure Ordinance

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**Item for Recommendation**
Please consider forwarding a recommendation to City Council to adopt an ordinance amending Hillsboro Code Sections 3.28.090 and 3.28.100 to clarify collection procedures for system development charges (SDC) and clarify hearing procedures for delinquent charges.

**Background**
The Building Department is responsible for collection of all system development charges at the point of issuance of any associated building related permits triggering the SDC payment. Developers and private individuals are allowed under state law the opportunity to finance the SDC's for up to 10 years. The City uses the 10 year treasury rate plus 2% and bills the property owners semi-annually. This becomes a lien on the property. SDC contract can be entered into for all of the following SDC types: the Transportation Development Tax, Sewer SDC, Water SDC, Parks SDC and the Surface Water Management SDC.

The City attorney was researching some items related to SDC's and noted that the current codified language did not give specific authorization to said manager to administer the collection of SDCs in accordance with state law and the Hillsboro Municipal Code. This authorization specifically includes the authority to administer all aspects of installment payment of SDCs. Additionally in their research, they determined a need to clarify what costs may be included in a city lien for payment of delinquent SDC charges under Section 3.28.100.

**Requested Action**
Please consider forwarding the above changes amending Hillsboro Code Sections 3.28.090 and 3.28.100 clarifying the collection and hearing procedures for system development charges.

**ORDINANCE NO. _____**

AN ORDINANCE AMENDING HILLSBORO MUNICIPAL CODE SECTIONS 3.28.090 AND 3.28.100 TO CLARIFY COLLECTION PROCEDURES FOR SYSTEM DEVELOPMENT CHARGES (SDC) AND CLARIFY HEARING PROCEDURES FOR DELINQUENT CHARGES.

WHEREAS, Hillsboro Municipal Code (HMC) Section 3.28.090 currently prescribes procedures for City collection of SDCs; and

WHEREAS, Section 3.28.090 is devoid of language directly authorizing staff to administer the collection of such SDCs and applications for installment payments as required by state law; and

WHEREAS, there is a need to authorize the staff to administer the collection of SDCs, including all applications for installment payments; and

WHEREAS, HMC Section 3.28.100 authorizes a hearing whereby the council may accept, reject or modify a determination by the staff relating to delinquent payment of SDC charges; and

WHEREAS, there is a need to clarify what costs may be included in a city lien for payment of delinquent SDC charges under Section 3.28.100. .

NOW, THEREFORE, THE CITY OF HILLSBORO ORDAINS AS FOLLOWS:

Section 1. The current provisions of Sections 3.28.090 and 3.28.100 of the Hillsboro Municipal Code are hereby amended to read as follows. New language appears as underlined text; deleted language appears as ~~strikethrough~~ text:

**3.28.090 Collection**

A. The manager is authorized to administer the collection of SDCs in accordance with state law and the code. This authorization specifically includes the authority to administer all aspects of installment payment of SDCs.

~~A.~~B. An SDC is payable upon issuance of:

1. A building or development permit;
2. A development permit for development not requiring the issuance of a building permit;
3. A permit to connect to the water system; or
4. A permit to connect to the sewer system.

~~B.~~C. If development is commenced or connection is made to the water or sewer systems without an appropriate permit, the SDC is immediately payable upon the earliest day that a permit was required.

~~C.~~D. The manager will collect the applicable SDC from the owner of the property when a permit that allows building or development of a property is issued or when a connection is made to the city water or sewer system.

~~D.~~E. The manager will not issue such permit or allow such connection until the charge is paid in full, until provision for installment payments have been made or unless an exemption is granted under this subchapter.

**3.28.100 Delinquent charges – Hearing**

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C. At the hearing, the council may accept, reject or modify the determination of the manager. If the council finds that an SDC is unpaid and uncollected, it may by motion direct the manager to docket the unpaid and uncollected SDC in the lien docket. Upon completion of the docketing, the city has a lien against the described land for the full amount of the unpaid charge, together with interest at the rate set by the council and the city's actual costs of ~~serving notice of the hearing~~ collection and of scheduling and conducting the hearing.

Section 2. Except as herein amended, Sections 3.28.090 and 3.28.100 of the Hillsboro Municipal Code shall remain in full force and effect.

Section 3. This ordinance shall be effective from and after 30 days following its passage and approval by the Mayor.

First approval of the Council on this 15th day of November 2011.

Second approval and adoption by the Council on this 6th day of December 2011.

Approved by the Mayor this 6th day of December 2011.

_____
Jerry Willey, Mayor

ATTEST: _____
Amber Ames, City Recorder

# CITY OF HILLSBORO

November 1st, 2011

**STAFF REPORT**

TO: Finance Committee

FROM: Chris Hartye, Project Manager II, Administration Department

RE: 2011-12 Community Services Grant Program

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**Action Requested:**

Staff requests Finance Committee review of the applications received for the 2011-2012 Community Services Grant Program and a recommendation to the City Council for distribution of awards.

**Program Overview:**

On August 15th, 2011 the City of Hillsboro announced that funding for the 2011-2012 Community Services Grant Program was available to applicants. The City allocated $65,000 in the FY 2011-2012 budget for this program.

The announcement was distributed to past program participants by email, to community social service organizations via Community Action Organization (CAO) and Vision Action Network (VAN), and was placed on the City's website. This outreach resulted in the submittal of 38 applications, one less than last year, with combined dollar requests of $324,728. Of the 38 applicants, 16 organizations received funds from last year's funding cycle. This year, there are 9 new applicants.

Staff has reviewed each of the applications for completeness and to ensure each application meets the eligibility criteria as described in the program's definition of social services.

Materials have been distributed to each Finance Committee member including applications, a listing of each organization, the funding amount requested and the amount awarded last year, if applicable. To keep the review process manageable, the applications were provided electronically and miscellaneous supplemental and supporting materials received were not included. These documents are available to you upon request.

To assist with the review and deliberation process, scoring sheets were printed for each application along with a summary matrix. ***Please complete the scoring sheet for each organization's request and plug the scores into the matrix to help with the award recommendation discussion.***

The Finance Committee is scheduled to evaluate the applications at your November 8th, 2011 meeting, with the resulting recommendations to be considered at the November 15th City Council meeting.

If you have questions or need any assistance prior to your meeting November 8th, please feel free to contact me at 503-681-5233 or chrisha@ci.hillsboro.or.us.

CITY OF HILLSBORO

**M E M O R A N D U M**

DATE: November 1, 2011

TO: Finance Committee

FROM: Suzanne Linneen, Finance Director
Michelle Wareing, Assistant Finance Director

SUBJECT: September Investment Report Summary

The September Investment Report has been included in your packet. The majority of the City's cash is invested by Davidson Fixed Income Management with approval from Suzanne Linneen and the investments are held by a third-party, Union Bank. Per the September Investment report, the City currently has about $93.1 million invested in a variety of investment instruments. The annualized rate of return net of fees is 1.12%, which is down slightly from August.

In addition to the investment portfolio, the City also had $29.8 million invested in the State Local Government Investment Pool (LGIP) at the end of September. The LGIP is earning about .5%. The City also had $249,000 in a CD with Columbia Bank as part of the City's program to invest locally.

We have been working with our investment advisor on an investment strategy for the property tax revenues that will be received in November and December. We are estimating that we will receive about $50 million in property tax and Strategic Investment Program (SIP) revenues within that time frame. The LGIP has a limit of $43.89 million so we cannot keep all the proceeds in the LGIP. The current plan is to invest $15 million, in $5 million increments, into short-term treasury bonds. These bonds will mature within the next year and provide the liquidity we need during the summer and fall to meet our financial obligations. Another $5 million will be invested back into our core investment portfolio and will not be available in the short-term. The remaining proceeds will stay in the LGIP for liquidity and to meet current obligations. Also, the LGIP is earning more than most short-term treasury bonds, so to maximize interest earnings we are keeping our LGIP balance as close to the limit as possible.

# CITY OF HILLSBORO

**September 30, 2011**

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

*We urge you to compare the information contained in this periodic statement with the account statement(s) you receive directly from the custodian that holds your account(s). Please notify us immediately if you identify any discrepancies or have any questions.*

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# MONTHLY MARKET COMMENTARY

SEPTEMBER 2011

We began the month with the release of the jobs reports. August numbers were disappointing which added fuel to expectations that the Fed would be forced to take additional action against negative economic growth. Non-farm payrolls were flat in August. A gain of 68,000 was expected. Revisions to the previous two months subtracted 58,000 workers. Private payrolls grew 17,000 while government workers fell 17,000. The strike at Verizon subtracted about 45,000 workers. The unemployment rate was unchanged at 9.1%, as expected. Employment is 6.819 million below the peak in January 2008. All of this weak employment news continued to put downward pressure on rates throughout the month.

## Sector Performance

Bonds were the only positive performers in September. The Treasury index representing all US treasury securities maturing greater than 10 years returned 26.6% YTD this year, exceeding the 24% gain in 2008, during the worst financial crisis since the Great Depression. Commodities were hit hardest, dropping nearly 15% overall. That's the steepest monthly loss in almost three years. U.S. Equities have given up ground for the past five months in a row. The following is a summary of the September performance of the different asset classes:

| | | | | |
|---|---|---|---|---|
| U.S. Treasury | (BOFM Treasury Master) | 1.60% | S&P 500 | -7% |
| Cash | (Three month Treasury Bill) | 0.00% | Crude Oil | -10.8% |
| U.S. Stocks | (Russell 3000) | -7.8% | Gold | -11.1% |
| Commodities | (DJ-UBS Commodity) | -15% | | |

*Source: Bloomberg IND and capitalspectator.com*

## Greece

On September 19, 2011, the yield on the US Treasury 2-year note reached an all-time low of .15%. The stalemate on the sovereign debt crisis in Europe has created an even stronger flight to quality into U.S. Treasury securities. The debt crisis is primarily in Greece, but the concerns of defaults have spread to other European nations as well. Talks were continued among European Union officials, but little action was decided upon. Concern remains high that Greece will have some type of default and there will be a negative effect on other debt burdened countries.

## Operation Twist

Adding more fuel to the bond market rally was the Fed's announcement that it would exchange $400 billion of short-term Treasuries for those maturing in more than six years. The move, called "Operation Twist", is designed to lower borrowing costs and keep the economy growing. At the close of its two-day meeting September 21, the FOMC cited "significant downside risks" in the U.S. economy and said that it will buy bonds due in six to 30 years through June, while selling an equal amount of debt maturing in three years or less. The purchases "should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative," the Fed said in its statement.

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

| | 07/31/11 | 08/31/11 | 09/30/11 | Chg Sept |
|---|---|---|---|---|
| 3-month bill | 0.07 | 0.01 | 0.02 | +0.01 |
| 6-month bill | 0.15 | 0.05 | 0.05 | Unch |
| 2-year note | 0.36 | 0.20 | 0.24 | +0.04 |
| 5-year note | 1.35 | 0.96 | 0.95 | -0.01 |
| 10-year note | 2.80 | 2.22 | 1.92 | -0.30 |

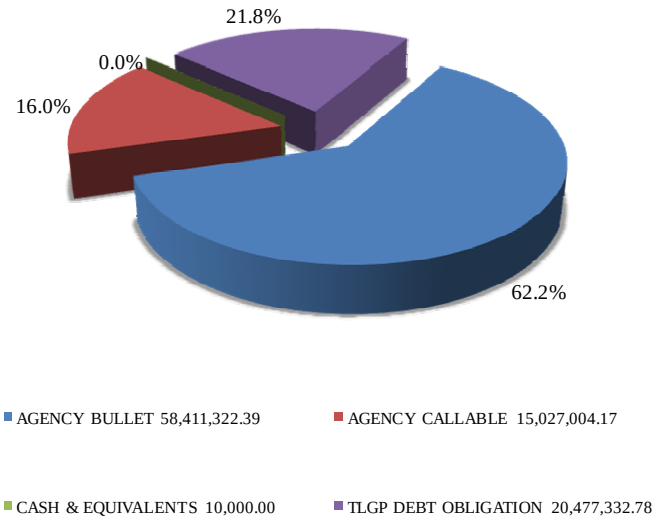
Source: Bloomberg

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

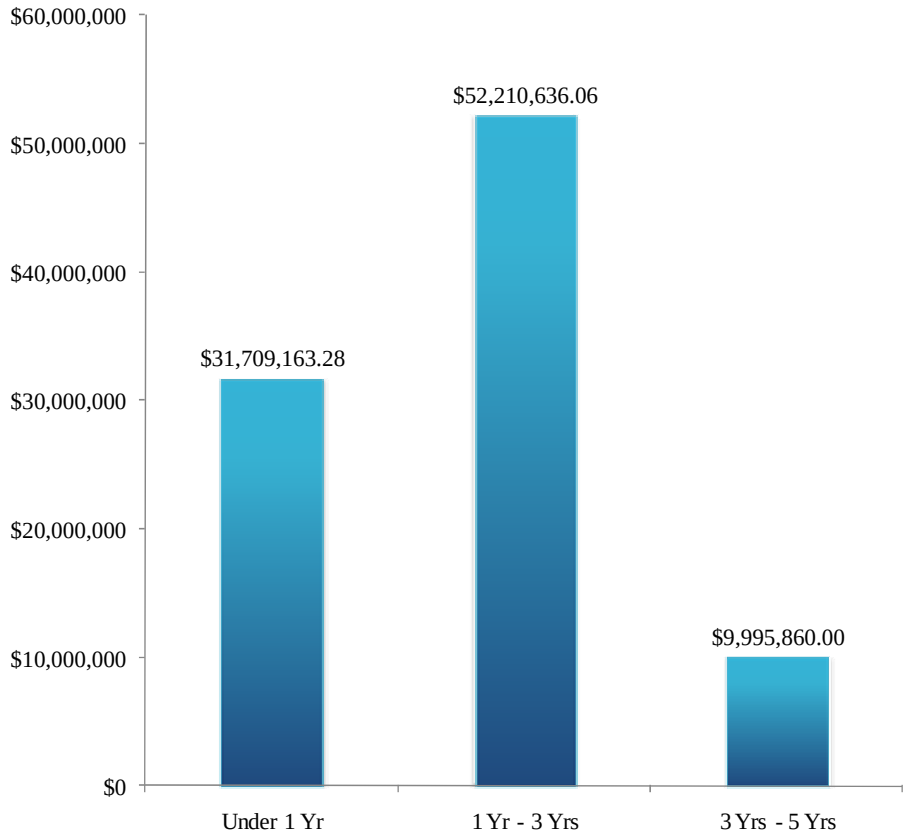
Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# CITY OF HILLSBORO

## Distribution by Asset Class




## Distribution by Maturity




## Distribution by Issuer

| Industry Groups | Market Value | Pct. |
|---|---|---|
| FHLB | 42,878,642.39 | 45.65 |
| TLGP DEBT OBLIGATION | 20,477,332.78 | 21.80 |
| FNMA | 20,183,438.33 | 21.49 |
| FHLMC | 5,345,101.67 | 5.69 |
| FFCB | 5,031,144.17 | 5.36 |
| CASH & EQUIVALENTS | 10,000.00 | 0.01 |
| **Total** | **93,925,659.33** | **100.00** |

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# Securities Summary Report
## CITY OF HILLSBORO
September 30, 2011

| | Par Value | Purchase Cost | Amortized Cost | Market Value | Unrealized Gain/Loss | Weighted Days to Maturity | % Portfolio | Weighted Average Yield | Weighted Average Duration to Maturity | Weighted Average Duration to Call |
|---|---|---|---|---|---|---|---|---|---|---|
| AGENCY BULLET | 57,250,000 | 58,128,082.50 | 57,823,581.26 | 58,175,433.50 | 351,852.24 | 613 | 62.18 | 0.4 | 1.7 | 0.0 |
| AGENCY CALLABLE | 15,000,000 | 14,994,000.00 | 14,994,174.34 | 15,007,400.00 | 13,225.66 | 1,169 | 16.04 | 0.9 | 3.1 | 0.9 |
| TLGP DEBT OBLIGATION | 20,000,000 | 20,155,220.00 | 20,061,403.52 | 20,381,430.00 | 320,026.48 | 311 | 21.78 | 0.3 | 0.8 | 0.0 |
| **TOTAL** | **92,250,000** | **93,277,302.50** | **92,879,159.12** | **93,564,263.50** | **685,104.38** | **637** | **100.00** | **0.5** | **1.7** | **0.9** |


# Securities Summary Report
## CITY OF HILLSBORO
September 30, 2011


| | Par Value | Purchase Cost | Amortized Cost | Market Value | Unrealized Gain/Loss | Weighted Days to Maturity | % Portfolio | Weighted Average Yield | Weighted Average Duration to Maturity | Weighted Average Duration to Call |
|---|---|---|---|---|---|---|---|---|---|---|
| FHLB | 42,250,000 | 42,610,212.50 | 42,365,918.84 | 42,702,128.50 | 336,209.66 | 547 | 45.64 | 0.4 | 1.5 | 0.0 |
| FNMA | 20,000,000 | 20,186,580.00 | 20,178,923.83 | 20,167,980.00 | -10,943.83 | 1,068 | 21.56 | 0.7 | 2.9 | 0.9 |
| FHLMC | 5,000,000 | 5,326,290.00 | 5,273,812.75 | 5,297,185.00 | 23,372.25 | 637 | 5.66 | 0.3 | 1.7 | 0.0 |
| FFCB | 5,000,000 | 4,999,000.00 | 4,999,100.18 | 5,015,540.00 | 16,439.82 | 987 | 5.36 | 0.9 | 2.7 | 0.7 |
| TLGP DEBT OBLIGATION | 20,000,000 | 20,155,220.00 | 20,061,403.52 | 20,381,430.00 | 320,026.48 | 311 | 21.78 | 0.3 | 0.8 | 0.0 |
| **TOTAL** | **92,250,000** | **93,277,302.50** | **92,879,159.12** | **93,564,263.50** | **685,104.38** | **637** | **100.00** | **0.5** | **1.7** | **0.9** |

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# SUMMARY OF AMORTIZED COST BASIS RETURN FOR THE PERIOD

## CITY OF HILLSBORO

August 31, 2011 to September 30, 2011

| | Total Portfolio |
|---|---|
| Interest Earned | 130,838.45 |
| Accretion/Amortization | -45,443.48 |
| Realized Gain/Loss on Sales | 0.00 |
| Total Income on Portfolio | 85,394.96 |
| Average Daily Historical Cost | 93,104,185.15 |
| Return | 0.09% |
| Annualized Return | 1.12% |
| Annualized Return Net of Fees | 1.12% |
| | |
| Weighted Duration to Maturity in Years | 1.72 |
| Weighted Days to Maturity | 637 |

# DETAIL AMORTIZATION COST RETURN

## CITY OF HILLSBORO

From 08-31-11 to 09-30-11

| CURRENT HOLDINGS | Interest Earned | Accretion (Amortization) | Realized Gain/Loss | Total Income |
|---|---|---|---|---|
| AGENCY BULLET | 80,284.72 | -40,406.43 | 0.00 | 39,878.29 |
| AGENCY CALLABLE | 8,229.17 | 101.48 | 0.00 | 8,330.65 |
| CASH & EQUIVALENTS | 32.89 | 0.00 | 0.00 | 32.89 |
| TLGP DEBT OBLIGATION | 42,291.67 | -5,138.53 | 0.00 | 37,153.13 |
| **TOTAL** | **130,838.45** | **-45,443.48** | **0.00** | **85,394.96** |

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# DETAIL ON MARKET VALUE RETURN
## CITY OF HILLSBORO
From 08-31-11 to 09-30-11

| Current Holdings | Interest Earned | Change in Market Value | Total Income |
|---|---|---|---|
| AGENCY BULLET | 80,284.72 | -126,556.25 | -46,271.53 |
| AGENCY CALLABLE | 8,229.17 | -4,505.00 | 3,724.17 |
| CASH & EQUIVALENTS | 32.89 | 0.00 | 32.89 |
| TLGP DEBT OBLIGATION | 42,291.67 | -37,820.00 | 4,471.67 |
| **TOTAL** | **130,838.45** | **-168,881.25** | **-38,042.80** |

# PERFORMANCE REPORT
## CITY OF HILLSBORO
From 08-31-11 to 09-30-11

| | | |
|---|---|---|
| Portfolio Value on 08-31-11 | | 90,801,521.01 |
| Accrued Interest | | 495,590.28 |
| | Contributions | 7,888,750.00 |
| | Withdrawals | -5,222,159.15 |
| | Market Value Change in Period | -168,881.25 |
| | Interest Earned in Period | 130,838.45 |
| Portfolio Value on 09-30-11 | | 93,574,263.50 |
| Accrued Interest | | 351,395.83 |
| Weighted Portfolio Value | | 93,104,185.15 |
| Total Return | | -38,042.80 |
| **Return For Period** | | **-0.04** |
| **Return For Period Annualized** | | **-0.50** |

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# CITY OF HILLSBORO
## PORTFOLIO RETURNS
**Target Benchmark: DFIM 0-3**
From 06-30-11 to 09-30-11
Inception Date: 11-30-07

**Market Value and Return**

| Period Ending | Beginning Value | Contribution/ Withdrawal | Principal Change | Interest Earnings | Ending Value | Total Return |
|---|---|---|---|---|---|---|
| 06/30/2011 | | | | | 100,617,238.99 | |
| 07/31/2011 | 100,617,238.99 | -142,307.00 | -50,783.00 | 165,458.90 | 100,589,607.89 | 114,675.89 |
| 08/31/2011 | 100,589,607.89 | -9,488,870.00 | 44,874.25 | 151,499.15 | 91,297,111.29 | 196,373.40 |
| 09/30/2011 | 91,297,111.29 | 2,666,590.85 | -168,881.25 | 130,838.45 | 93,925,659.33 | -38,042.80 |
| Total | | -6,964,586.15 | -174,790.00 | 447,796.49 | | 273,006.49 |

**Duration Comparison**

| Portfolio Duration | DFIM 0-3 Duration | Difference | Treas 0-3 Year |
|---|---|---|---|
| 1.19 | 1.60 | -0.412 | 1.44 |
| 1.41 | 1.59 | -0.184 | 1.45 |
| 1.53 | 1.61 | -0.083 | 1.43 |

**Monthly Return**

| Date | Price Return | Interest Return | Portfolio Return | DFIM 0-3 Return |
|---|---|---|---|---|
| 07/31/2011 | -0.051% | 0.165% | 0.111% | 0.121% |
| 08/31/2011 | 0.047% | 0.159% | 0.203% | 0.241% |
| 09/30/2011 | -0.181% | 0.141% | -0.044% | -0.052% |

**Cumulative Return**

| | YTD Portfolio | YTD DFIM 0-3 | Difference | YTD Treas 0-3 Year | Since Inception Portfolio | Since Inception DFIM 0-3 | Since Inception Treas 0-3 Year |
|---|---|---|---|---|---|---|---|
| | 0.111% | 0.121% | -0.010% | 0.181% | 10.469% | 11.834% | 9.213% |
| | 0.315% | 0.363% | -0.049% | 0.454% | 10.694% | 12.104% | 9.511% |
| | 0.271% | 0.311% | -0.040% | 0.351% | 10.645% | 12.045% | 9.399% |
| **Annualized** | **1.078%** | **1.239%** | **-0.161%** | **1.400%** | **2.672%** | **3.010%** | **2.370%** |

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# CITY OF HILLSBORO
## PORTFOLIO HOLDINGS

September 30, 2011

| Security Symbol | Quantity | Security | Call Date | Pur Date | Amort Price | Book Yield | Market Price | Market Yield | Market Value | Accrued Interest | Total Value | Unrealized Gain/Loss | Pct. Assets | Dur Mat | Dur Call |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **AGENCY BULLET** | | | | | | | | | | | | | | | |
| 3133XTAW6 | 11,000,000 | FEDERAL HOME LN BKS 2.250% Due 04-13-12 | | 07-15-10 | 100.86 | 0.61 | 101.06 | 0.26 | 11,117,018.00 | 114,812.50 | 11,231,830.50 | 22,027.13 | 11.9 | 0.53 | 0.53 |
| 3133XW7L7 | 10,000,000 | FEDERAL HOME LN BKS 1.500% Due 01-16-13 | | 06-10-10 | 100.22 | 1.33 | 101.47 | 0.36 | 10,147,210.00 | 30,833.33 | 10,178,043.33 | 125,368.53 | 10.8 | 1.28 | 1.28 |
| 3133XWX87 | 5,000,000 | FEDERAL HOME LN BKS 1.750% Due 03-08-13 | | 03-01-10 | 100.23 | 1.59 | 101.85 | 0.46 | 5,092,490.00 | 5,347.22 | 5,097,837.22 | 81,078.06 | 5.4 | 1.42 | 1.42 |
| 3137EABM0 | 5,000,000 | FEDERAL HOME LN MTG CORP 3.750% Due 06-28-13 | | 05-31-11 | 105.48 | 0.58 | 105.94 | 0.33 | 5,297,185.00 | 47,916.67 | 5,345,101.67 | 23,372.25 | 5.7 | 1.69 | 1.69 |
| 313371UC8 | 6,000,000 | FEDERAL HOME LN BKS 0.875% Due 12-27-13 | | 03-16-11 | 99.61 | 1.05 | 100.87 | 0.48 | 6,052,176.00 | 13,562.50 | 6,065,738.50 | 75,291.48 | 6.5 | 2.21 | 2.21 |
| 313374B41 | 10,250,000 | FEDERAL HOME LN BKS 0.700% Due 01-30-14 | | 06-23-11 | 100.11 | 0.65 | 100.42 | 0.52 | 10,293,234.50 | 11,958.33 | 10,305,192.83 | 32,444.46 | 11.0 | 2.31 | 2.31 |
| 3135G0AP8 | 10,000,000 | FEDERAL NATL MTG ASSN MTN 1.250% Due 02-27-14 | | 08-19-11 | 101.84 | 0.48 | 101.76 | 0.51 | 10,176,120.00 | 11,458.33 | 10,187,578.33 | -7,729.67 | 10.9 | 2.37 | 2.37 |
| | 57,250,000 | | | | | 0.85 | | 0.41 | 58,175,433.50 | 235,888.89 | 58,411,322.39 | 351,852.24 | 62.2 | 1.66 | 1.66 |
| **AGENCY CALLABLE** | | | | | | | | | | | | | | | |
| 31331KMU1 | 5,000,000 | FEDERAL FARM CR BKS CONS 1.050% Due 06-13-14 | 06-13-12 | 06-08-11 | 99.98 | 1.06 | 100.31 | 0.93 | 5,015,540.00 | 15,604.17 | 5,031,144.17 | 16,439.82 | 5.4 | 2.65 | 0.70 |
| 3135G0CT8 | 10,000,000 | FEDERAL NATL MTG ASSN 0.800% Due 03-12-15 | 09-12-12 | 09-08-11 | 99.95 | 0.81 | 99.92 | 0.82 | 9,991,860.00 | 4,000.00 | 9,995,860.00 | -3,214.16 | 10.7 | 3.39 | 0.94 |
| | 15,000,000 | | | | | 0.90 | | 0.86 | 15,007,400.00 | 19,604.17 | 15,027,004.17 | 13,225.66 | 16.0 | 3.15 | 0.86 |
| **CASH & EQUIVALENTS** | | | | | | | | | | | | | | | |
| cash | | Cash Account | | | | 0.50 | | | 10,000.00 | | 10,000.00 | | 0.0 | | |
| **TLGP DEBT OBLIGATION** | | | | | | | | | | | | | | | |
| 38146FAA9 | 10,000,000 | GOLDMAN SACHS FDIC GTD 3.250% Due 06-15-12 | | 11-25-08 | 100.02 | 3.22 | 102.12 | 0.25 | 10,212,050.00 | 94,791.67 | 10,306,841.67 | 210,416.42 | 10.9 | 0.70 | 0.70 |
| 36967HBB2 | 10,000,000 | GENERAL ELECTRIC FDIG GTD 2.000% Due 09-28-12 | | 04-19-10 | 100.60 | 1.38 | 101.69 | 0.29 | 10,169,380.00 | 1,111.11 | 10,170,491.11 | 109,610.06 | 10.9 | 0.99 | 0.99 |
| | 20,000,000 | | | | | 2.31 | | 0.27 | 20,381,430.00 | 95,902.78 | 20,477,332.78 | 320,026.48 | 21.8 | 0.84 | 0.84 |
| **TOTAL** | **92,250,000** | | | | | **1.17** | | **0.46** | **93,574,263.50** | **351,395.83** | **93,925,659.33** | **685,104.38** | **100.0** | **1.72** | **1.35** |

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special note: At this time AXYS does not correctly calculate book or market yields for variable rate, floating rate, or mortgage backed securities.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# CITY OF HILLSBORO
## TRANSACTION SUMMARY

From 09-01-11 To 09-30-11

| Trade Date | Settle Date | Cusip | Quantity | Security | Call Date | Amount | Broker |
|---|---|---|---|---|---|---|---|
| **Buy long** | | | | | | | |
| 09-08-11 | 09-12-11 | 3135G0CT8 | 10,000,000 | FEDERAL NATL MTG ASSN<br>0.800% Due 03-12-15 | 09-12-12 | 9,995,000.00 | WELLS FAR |
| **Deposit** | | | | | | | |
| 09-30-11 | 09-30-11 | manfee | | Management Fee | | 2,875.00 | |
| **Interest** | | | | | | | |
| 09-01-11 | 09-01-11 | CASH | | CASH<br>0.220% Due 10-01-11 | | 32.89 | |
| 09-08-11 | 09-08-11 | 3133XWX87 | | FEDERAL HOME LN BKS<br>1.750% Due 03-08-13 | | 43,750.00 | |
| 09-09-11 | 09-09-11 | 3133XRY46 | | FEDERAL HOME LN BKS<br>3.750% Due 09-09-11 | | 131,250.00 | |
| 09-28-11 | 09-28-11 | 36967HBB2 | | GENERAL ELECTRIC FDIG GTD<br>2.000% Due 09-28-12 | | 100,000.00 | |
| | | | | | | 275,032.89 | |
| **Deliver in long** | | | | | | | |
| 09-12-11 | | cash | | Cash Account | | 2,863,750.00 | |
| 09-30-11 | | cash | | Cash Account | | 5,025,000.00 | |
| | | | | | | 7,888,750.00 | |
| **Deliver out long** | | | | | | | |
| 09-15-11 | | cash | | Cash Account | | 125.00 | |
| 09-30-11 | | cash | | Cash Account | | 5,222,034.15 | |
| | | | | | | 5,222,159.15 | |
| **Purchased Accrued Interest** | | | | | | | |
| 09-08-11 | 09-12-11 | 3135G0CT8 | | FEDERAL NATL MTG ASSN<br>0.800% Due 03-12-15 | 09-12-12 | 0.00 | |
| **Sell long** | | | | | | | |
| 09-09-11 | 09-09-11 | 3133XRY46 | 7,000,000 | FEDERAL HOME LN BKS<br>3.750% Due 09-09-11 | | 7,000,000.00 | MATURITY |

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# AMORTIZATION AND ACCRETION - SETTLED TRADES
## CITY OF HILLSBORO
September 30, 2011

| Purchase Information | | | | | Amortization/Accretion Information | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Quantity | Lot | Purchase Date | Price | Total Cost | Month To Date | Year To Date | Total To Date | Balance | Adjusted Cost |
| **CORPORATE BONDS(Straight Line)** | | | | | | | | | |
| GENERAL ELECTRIC FDIG GTD 2.000% Due 09-28-12 (36967HBB2) | | | | | | | | | |
| 10,000,000 | 1 | 04-19-10 | 101.470 | 10,147,020.00 | -4,948.02 | -45,076.68 | -87,250.06 | -59,769.94 | 10,059,769.94 |
| GOLDMAN SACHS FDIC GTD 3.250% Due 06-15-12 (38146FAA9) | | | | | | | | | |
| 10,000,000 | 1 | 11-25-08 | 100.082 | 10,008,200.00 | -190.52 | -1,733.69 | -6,566.42 | -1,633.58 | 10,001,633.58 |
| Total | | | | 20,155,220.00 | -5,138.53 | -46,810.36 | -93,816.48 | -61,403.52 | 20,061,403.52 |
| **FNMA(Straight Line)** | | | | | | | | | |
| FEDERAL NATL MTG ASSN MTN 1.250% Due 02-27-14 (3135G0AP8) | | | | | | | | | |
| 10,000,000 | 1 | 08-19-11 | 101.916 | 10,191,580.00 | -6,267.83 | -7,730.33 | -7,730.33 | -183,849.67 | 10,183,849.67 |
| **FNMA CALLABLE(Straight Line)** | | | | | | | | | |
| FEDERAL NATL MTG ASSN 0.800% Due 03-12-15 (3135G0CT8) | | | | | | | | | |
| 10,000,000 | 1 | 09-08-11 | 99.950 | 9,995,000.00 | 74.16 | 74.16 | 74.16 | 4,925.84 | 9,995,074.16 |
| **FHLMC(Straight Line)** | | | | | | | | | |
| FEDERAL HOME LN MTG CORP 3.750% Due 06-28-13 (3137EABM0) | | | | | | | | | |
| 5,000,000 | 1 | 05-31-11 | 106.526 | 5,326,290.00 | -12,904.24 | -52,477.25 | -52,477.25 | -273,812.75 | 5,273,812.75 |
| **FHLB(Straight Line)** | | | | | | | | | |
| FEDERAL HOME LN BKS 0.875% Due 12-27-13 (313371UC8) | | | | | | | | | |
| 6,000,000 | 1 | 03-16-11 | 99.522 | 5,971,320.00 | 847.39 | 5,564.52 | 5,564.52 | 23,115.48 | 5,976,884.52 |
| FEDERAL HOME LN BKS 0.700% Due 01-30-14 (313374B41) | | | | | | | | | |
| 10,250,000 | 1 | 06-23-11 | 100.117 | 10,261,992.50 | -379.72 | -1,202.46 | -1,202.46 | -10,790.04 | 10,260,790.04 |
| FEDERAL HOME LN BKS 2.250% Due 04-13-12 (3133XTAW6) | | | | | | | | | |
| 11,000,000 | 1 | 07-15-10 | 102.810 | 11,309,100.00 | -14,613.98 | -133,395.45 | -214,109.13 | -94,990.87 | 11,094,990.87 |
| FEDERAL HOME LN BKS 1.500% Due 01-16-13 (3133XW7L7) | | | | | | | | | |
| 10,000,000 | 1 | 06-10-10 | 100.438 | 10,043,800.00 | -1,386.85 | -12,641.15 | -21,958.53 | -21,841.47 | 10,021,841.47 |
| FEDERAL HOME LN BKS 1.750% Due 03-08-13 (3133XWX87) | | | | | | | | | |
| 5,000,000 | 1 | 03-01-10 | 100.480 | 5,024,000.00 | -652.23 | -5,938.88 | -12,588.06 | -11,411.94 | 5,011,411.94 |
| Total | | | | 42,610,212.50 | -16,185.40 | -147,613.41 | -244,293.66 | -115,918.84 | 42,365,918.84 |



*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# AMORTIZATION AND ACCRETION - SETTLED TRADES
## CITY OF HILLSBORO
September 30, 2011

| Purchase Information | | | | | Amortization/Accretion Information | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Quantity | Lot | Purchase Date | Price | Total Cost | Month To Date | Year To Date | Total To Date | Balance | Adjusted Cost |
| **FFCB CALLABLE(Straight Line)** | | | | | | | | | |
| FEDERAL FARM CR BKS CONS 1.050% Due 06-13-14 (31331KMU1) | | | | | | | | | |
| 5,000,000 | 1 | 06-08-11 | 99.980 | 4,999,000.00 | 27.32 | 100.18 | 100.18 | 899.82 | 4,999,100.18 |
| **GRAND TOTAL** | | | | **93,277,302.50** | **-40,394.52** | **-254,457.01** | **-398,143.38** | **-629,159.12** | **92,879,159.12** |



*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.
Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# INTEREST ACCRUALS
## CITY OF HILLSBORO
From 08-31-11 To 09-30-11

| Security Symbol | Description | Beginning Accrued Interest | Purchased Interest | Sold Interest | Interest Received | Earned Interest | Ending Accrued Interest |
|---|---|---|---|---|---|---|---|
| **CORPORATE** | | | | | | | |
| TLGP DEBT OBLIGATION | | | | | | | |
| 38146FAA9 | GOLDMAN SACHS FDIC GTD 3.250% Due 06-15-12 | 68,611.11 | 0.00 | 0.00 | 0.00 | 26,180.56 | 94,791.67 |
| 36967HBB2 | GENERAL ELECTRIC FDIG GTD 2.000% Due 09-28-12 | 85,000.00 | 0.00 | 0.00 | -100,000.00 | 16,111.11 | 1,111.11 |
| | | 153,611.11 | 0.00 | 0.00 | -100,000.00 | 42,291.67 | 95,902.78 |
| CORPORATE Total | | 153,611.11 | 0.00 | 0.00 | -100,000.00 | 42,291.67 | 95,902.78 |
| **AGENCY** | | | | | | | |
| AGENCY BULLET | | | | | | | |
| FHLB | | | | | | | |
| 3133XRY46 | FEDERAL HOME LN BKS 3.750% Due 09-09-11 | 125,416.67 | 0.00 | 0.00 | -131,250.00 | 5,833.33 | 0.00 |
| 3133XTAW6 | FEDERAL HOME LN BKS 2.250% Due 04-13-12 | 94,875.00 | 0.00 | 0.00 | 0.00 | 19,937.50 | 114,812.50 |
| 3133XW7L7 | FEDERAL HOME LN BKS 1.500% Due 01-16-13 | 18,750.00 | 0.00 | 0.00 | 0.00 | 12,083.33 | 30,833.33 |
| 3133XWX87 | FEDERAL HOME LN BKS 1.750% Due 03-08-13 | 42,048.61 | 0.00 | 0.00 | -43,750.00 | 7,048.61 | 5,347.22 |
| 313371UC8 | FEDERAL HOME LN BKS 0.875% Due 12-27-13 | 9,333.33 | 0.00 | 0.00 | 0.00 | 4,229.17 | 13,562.50 |
| 313374B41 | FEDERAL HOME LN BKS 0.700% Due 01-30-14 | 5,979.17 | 0.00 | 0.00 | 0.00 | 5,979.17 | 11,958.33 |
| | | 296,402.78 | 0.00 | 0.00 | -175,000.00 | 55,111.11 | 176,513.89 |
| FNMA | | | | | | | |
| 3135G0AP8 | FEDERAL NATL MTG ASSN MTN 1.250% Due 02-27-14 | 1,388.89 | 0.00 | 0.00 | 0.00 | 10,069.44 | 11,458.33 |
| | | 1,388.89 | 0.00 | 0.00 | 0.00 | 10,069.44 | 11,458.33 |



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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# INTEREST ACCRUALS
## CITY OF HILLSBORO
From 08-31-11 To 09-30-11

| Security Symbol | Description | Beginning Accrued Interest | Purchased Interest | Sold Interest | Interest Received | Earned Interest | Ending Accrued Interest |
|---|---|---|---|---|---|---|---|
| FHLMC 3137EABM0 | FEDERAL HOME LN MTG CORP 3.750% Due 06-28-13 | 32,812.50 | 0.00 | 0.00 | 0.00 | 15,104.17 | 47,916.67 |
| | | 32,812.50 | 0.00 | 0.00 | 0.00 | 15,104.17 | 47,916.67 |
| AGENCY BULLET Total | | 330,604.17 | 0.00 | 0.00 | -175,000.00 | 80,284.72 | 235,888.89 |
| AGENCY CALLABLE | | | | | | | |
| FNMA 3135G0CT8 | FEDERAL NATL MTG ASSN 0.800% Due 03-12-15 | 0.00 | 0.00 | 0.00 | 0.00 | 4,000.00 | 4,000.00 |
| | | 0.00 | 0.00 | 0.00 | 0.00 | 4,000.00 | 4,000.00 |
| FFCB 31331KMU1 | FEDERAL FARM CR BKS CONS 1.050% Due 06-13-14 | 11,375.00 | 0.00 | 0.00 | 0.00 | 4,229.17 | 15,604.17 |
| | | 11,375.00 | 0.00 | 0.00 | 0.00 | 4,229.17 | 15,604.17 |
| AGENCY CALLABLE Total | | 11,375.00 | 0.00 | 0.00 | 0.00 | 8,229.17 | 19,604.17 |
| AGENCY Total | | 341,979.17 | 0.00 | 0.00 | -175,000.00 | 88,513.89 | 255,493.06 |
| **CASH** | | | | | | | |
| CASH & EQUIVALENTS | | | | | | | |
| CASH CASH | CASH 0.220% Due 10-01-11 | 0.00 | 0.00 | 0.00 | -32.89 | 32.89 | 0.00 |
| | | 0.00 | 0.00 | 0.00 | -32.89 | 32.89 | 0.00 |
| CASH & EQUIVALENTS Total | | 0.00 | 0.00 | 0.00 | -32.89 | 32.89 | 0.00 |
| CASH Total | | 0.00 | 0.00 | 0.00 | -32.89 | 32.89 | 0.00 |



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# INTEREST ACCRUALS
## CITY OF HILLSBORO
From 08-31-11 To 09-30-11

| Security Symbol | Description | Beginning Accrued Interest | Purchased Interest | Sold Interest | Interest Received | Earned Interest | Ending Accrued Interest |
|---|---|---|---|---|---|---|---|
| **TOTAL PORTFOLIO** | | **495,590.28** | **0.00** | **0.00** | **-275,032.89** | **130,838.45** | **351,395.83** |



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Davidson Fixed Income Management
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# PROJECTED FIXED INCOME CASH FLOWS
## CITY OF HILLSBORO
Beginning September 30, 2011

| Security | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CORPORATE** | | | | | | | | | | | | | |
| GOLDMAN SACHS FDIC GTD 3.250% Due 06-15-12 | | | | 162,500.00 | | | | | | 10,162,500.00 | | | 10,325,000.00 |
| GENERAL ELECTRIC FDIG GTD 2.000% Due 09-28-12 | | | | | | | 100,000.00 | | | | | | 100,000.00 |
| TOTAL | | | | 162,500.00 | | | 100,000.00 | | | 10,162,500.00 | | | 10,425,000.00 |
| **AGENCY** | | | | | | | | | | | | | |
| FEDERAL HOME LN BKS 2.250% Due 04-13-12 | | 123,750.00 | | | | | | 11,123,750.00 | | | | | 11,247,500.00 |
| FEDERAL HOME LN BKS 1.500% Due 01-16-13 | | | | | 75,000.00 | | | | | | 75,000.00 | | 150,000.00 |
| FEDERAL HOME LN BKS 1.750% Due 03-08-13 | | | | | | | 43,750.00 | | | | | | 43,750.00 |
| FEDERAL HOME LN MTG CORP 3.750% Due 06-28-13 | | | | 93,750.00 | | | | | | 93,750.00 | | | 187,500.00 |
| FEDERAL HOME LN BKS 0.875% Due 12-27-13 | | | | 26,250.00 | | | | | | 26,250.00 | | | 52,500.00 |
| FEDERAL HOME LN BKS 0.700% Due 01-30-14 | | | | | 35,875.00 | | | | | | 35,875.00 | | 71,750.00 |
| FEDERAL NATL MTG ASSN MTN 1.250% Due 02-27-14 | | | | | | 62,500.00 | | | | | | 62,500.00 | 125,000.00 |
| FEDERAL FARM CR BKS CONS 1.050% Due 06-13-14 | | | | 26,250.00 | | | | | | 26,250.00 | | | 52,500.00 |



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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

# PROJECTED FIXED INCOME CASH FLOWS
## CITY OF HILLSBORO
Beginning September 30, 2011

| Security | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FEDERAL NATL MTG ASSN 0.800% Due 03-12-15 | | | | | | | 40,000.00 | | | | | | 40,000.00 |
| TOTAL | | 123,750.00 | | 146,250.00 | 110,875.00 | 62,500.00 | 83,750.00 | 11,123,750.00 | | 146,250.00 | 110,875.00 | 62,500.00 | 11,970,500.00 |
| **GRAND TOTAL** | | **123,750.00** | | **308,750.00** | **110,875.00** | **62,500.00** | **183,750.00** | **11,123,750.00** | | **10,308,750.00** | **110,875.00** | **62,500.00** | **22,395,500.00** |



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