CITY OF HILLSBORO
FINANCE COMMITTEE

Preliminary Agenda

Assistive Listening Devices (ALD) and sign language interpreters are available, at no cost, and can be scheduled for this meeting. To obtain these services, please call 503-681-6100, 72 hours prior to the meeting.

Public comment on agenda items is limited to three minutes.

5:30 PM **Tuesday, December 13, 2011**
Civic Center Conference Room C207 **Regular Meeting**
150 E. Main St.

CALL TO ORDER

Consider minutes: November 8, 2011

1. ITEMS FOR RECOMMENDATION TO CITY COUNCIL:

A. Consider forwarding a recommendation to City Council to approve a professional services contract with Hennebery Eddy Architects in an amount not to exceed $465,450 for architectural design services for two library projects, and authorize the Mayor and City Recorder to execute the documents. (Budgeted item) *Staff Report – Karl Dinger*

B. Consider forwarding a recommendation to City Council to approve additional funding of $180,650 in expenses, anticipating $127,100 in revenues, for the operation of the Community Senior Center of Hillsboro, effective January 1, 2012, including a transfer of appropriations from the General Fund Contingency (which will be brought to Council at a later date via a resolution). (Unbudgeted item) *Staff Report – Wayne Gross*

C. Consider forwarding a recommendation to City Council to adopt a resolution authorizing a telecommunications franchise agreement with CoastCom, Inc. for use of the City's rights-of-way under Hillsboro Municipal Code Subchapter 5.76, and authorize the Mayor and City Recorder to execute the documents. *Staff Report – Andrew Bartlett*

2. ITEMS FOR FINANCE COMMITTEE ACTION:

A. Schedule Audit Committee meeting on Tuesday, January 10, 2012, 6:30 PM, Civic Center conference room C207.

3. ADVICE/INFORMATION ITEMS:

A. Monthly Investment Report – October 2011

DRAFT

CITY OF HILLSBORO
FINANCE COMMITTEE

Minutes

5:30 PM **Tuesday, November 8, 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: Rob Dixon, Ellen Conley, Debbie Hazel, Wayne Gross, Debbie Werner, Cindy Bolek, Carol Brown, Dacia Ermatinger, Greg Mont, Kevin Hanway, Paul Edwards, Suzanne Linneen, Dennis Carney, John Southgate, Colin Cooper, Michelle Wareing, Bob Sanders and Chris Hartye

Consider minutes: October 11, 2011

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

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)

Councilor Andrews asked if the City could sign an agreement with the nonprofit group, Community Senior Center of Hillsboro (CSCH), to continue the current food service. Mr. Gross said the City will operate the meal program as is with a subsidy of $50,000 from CSCH until the City can do a class/comp study for food service positions. He said staff would return to the Finance Committee to seek approval of those positions in December.

Councilor Lumaco asked when the City would hire the Senior Center Manager, and Mr. Gross said ideally he or she would be on board by January 1 so the current manager can train the new person before she retires at the end of January.

Motion was made by Acuña, seconded by Lumaco, to forward a recommendation to City Council to approve the two additional regular, full-time positions and reclassify one full-time position listed above for the Parks and Recreation Department effective immediately, authorize the transfer of any necessary appropriations for Fiscal Year 2011-12, and add the PERS-eligible positions to the 2011-12 Pay Plan. The motion passed unanimously with Andrews, Lumaco and Acuña voting in favor.

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, authorize the City Manager to amend the contract at a contingency amount of up to $100,000 for unexpected expenses, and authorize the Mayor and City Recorder to execute the documents (subject to City Attorney review). (Budgeted item) *Staff Report – Carol Brown*

Councilor Andrews asked if the concerns staff had expressed over the initial vendor, EnerGov Solutions, had been resolved with the selection of Accela, Inc, which Ms. Brown confirmed. EnerGov is a young company located on the east coast while Accela is an existing City vendor.

Councilor Andrews asked how the new software would streamline the permitting process compared with the City's current process. Ms. Brown said major benefits would include electronic plan submittal via a third party vendor, which would enable a customer to submit and track materials online, a "simultaneous" review where departments could review other staff comments throughout the process, as well as greater ease in viewing conditions of approval.

Councilor Lumaco asked why the contract with Accela does not include electronic plan review. Ms. Brown said that feature is in the infant stage at Accela and has limited capabilities. Staff has already identified another vendor with a much better product. Councilor Andrews asked when the electronic plan review contract would be implemented. Greg Mont, Information Services Director, said it remains a high priority.

Councilor Acuña asked about budget impacts, and Suzanne Linneen, Finance Director, said these contracts would require budget amendments, which staff is actively working on.

Mr. Mont said Accela implementation would likely begin in January or February and the first six months will be meetings to lay the groundwork. The earliest Accela would be operative would be May, which would ideally enable an electronic plan review system to be in place already.

Councilor Lumaco asked if there will be an annual maintenance fee. Mr. Mont said it would be around $32,000, which is less than the City's current annual maintenance fee of $42,000 with Accela.

Motion was made by Lumaco, seconded by Acuña, to forward 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, authorize the City Manager to amend the contract at a contingency amount of up to $100,000 for unexpected expenses, and authorize the Mayor and City Recorder to execute the documents (subject to City Attorney review). The motion passed unanimously with Lumaco, Acuña and Andrews voting in favor.

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*

Motion was made by Lumaco, seconded by Acuña, to forward 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. The motion passed unanimously with Acuña, Andrews and Lumaco voting in favor.

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*

Agency	Amount
Assistance League	$2,500
Bienestar	$2,000
Big Brothers Big Sisters Columbia Northwest	$2,000
Boys & Girls Aid	$5,000
Boys & Girls Club	$3,000
Community Action	$5,000
DePaul Treatment Centers	$2,000
Domestic Violence Resource Center	$5,000
Elders In Action	$1,000
Essential Health Clinic	$5,000
Family Bridge Shelter	$2,000
Hospice & Palliative Care of Washington County	$2,000
Impact Northwest	$2,000
Loaves & Fishes Center	$2,000
Open Door Counseling Center	$2,000
Oregon Food Bank	$5,000
Rebuilding Together Washington County	$2,500
Saint Child	$2,000
Sexual Assault Resource Center	$2,000
Shelter at Orenco Station	$3,000
The Shadow Project	$1,000
Virginia Garcia Memorial Foundation	$5,000
Youth Contact	$2,000
Total:	$65,000

[Recorder's Note: Councilor Andrews left at 6:35 PM.]

Councilors Acuña and Lumaco deliberated on the award amounts for the community services grants.

Motion was made by Acuña, seconded by Lumaco, to forward a recommendation to City Council to approve the listed grant awards for the community services grant program for Fiscal Year 2011-12. The motion passed unanimously with Lumaco and Acuña voting in favor.

2. ITEMS FOR FINANCE COMMITTEE ACTION:

A. None.

3. ADVICE/INFORMATION ITEMS:

A. Hillsboro Economic Development Partnership and Visitors' Information Center Quarterly Report

Debbie Werner, Deputy City Recorder, said the Visitors' Information Center statistics will be emailed out at a later time.

B. Monthly Investment Report – September 2011

There being no further business to come before the Finance Committee, the meeting was adjourned at 7:59 PM.

CITY OF HILLSBORO

MEMORANDUM

DATE: December 05, 2011
TO: Finance Committee
FROM: Facilities & Fleet/Karl Dinger
SUBJECT: Approval to Award Professional Services Contract for Architectural Design Services for Two (2) Library Projects

Requested Finance Committee Action:
Please consider a request from the Facilities & Fleet Department to forward a recommendation to the City Council to approve the award of a Professional Services Contract for Architectural Design Services to Hennebery Eddy Architects of Portland, OR. This contract will procure architectural and related consulting services to produce design and construction documentation for the completion of the 2nd floor of the Main Library as well as the renovation of the Shute Park Library.

Background:
In May 2007, the City dedicated the new Hillsboro Main Library. The facility, however, was not completed at that time, leaving the second floor unfinished. The first floor of the Main Library is now beyond capacity for books, media and users, and lacks important features, including a quiet study area, adequate meeting space and a well-designed area for teens. Additionally, the 36-year old Shute Park Library Branch is in need of major renovation and is overdue for a total upgrade to systems, finishes, layout and the service program. To plan for and budget for these renovations, the City must retain an architectural firm to provide a design for these facilities.

An RFP was issued soliciting proposals via ORPIN on August 22, 2010 in accordance with the QBS guidelines. Five (5) firms responded and were evaluated by City Staff members, with the top three (3) candidate firms interviewed on October 17th. The evaluation committee members were Facilities and Fleet Director Bob Reitmajer, Library Director Mike Smith, Assistant Library Director Linda Lybecker, Library Board member Debbie Clark and Facilities Development Manager Karl Dinger.

The Hennebery Eddy Architects team, in the opinion of the evaluation committee, has the best combination of qualifications, experience and professional expertise to provide a cost effective design for the two (2) library projects. The evaluation committee collectively and unanimously recommends that the Professional Services Contract be awarded to Hennebery Eddy Architects of Portland, OR.

Cost:
The total amount of the Professional Services Contract, which includes the design and associated construction documentation for the two (2) separate library facilities, is not to exceed $465,450

(Four Hundred Sixty Five Thousand, Four Hundred Fifty Dollars). This is a budgeted project in the 2011-2012 Fiscal Year.

Recommendation:

Please consider forwarding a recommendation to the City Council to approve the award of a Professional Services Contract for Architectural Design Services to Hennebery Eddy Architects for the contract amount not to exceed $465,450 and authorize the Mayor and City Recorder to execute the documents.

CITY OF HILLSBORO

MEMORANDUM

TO: Finance Committee

FROM: Wayne Gross, Assistant Parks & Recreation Director

DATE: December 13, 2011

RE: Supplemental Funding for the Operation of the Hillsboro Senior Center – Food Operations, Standard Programs and Facility Infrastructure

Please consider forwarding a recommendation to City Council for approval of additional M&S and Capital appropriations for the Parks and Recreation Department for the operation of the Hillsboro Senior Center and authorize a transfer of $180,650 for FY 11-12 from the General Fund Contingency. In addition to these expenses, the City anticipates receiving $127,100 in new revenues through the end of FY 11-12.

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 has just completed 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.

On November 15, 2011, the City Council approved two new positions and one reclassification for the Parks and Recreation Department's operation of the Senior Center. This current request is the second phase of our transition plan; giving the Center's new staff the funding they will need

to manage all necessary programs/operations. The largest component of this request is the food operation that provides daily meal service to patrons. In our original proposal, the Center's chefs and kitchen crew were listed as City employees but, after further consideration, staff is recommending that the CSCH continue to provide food service staff at the center as they currently are for the next six months. This will allow the new Senior Center Manager to evaluate the food program and provide recommendations on the best way to operate it moving forward. During this period of evaluation, the CSCH will continue to pay the kitchen staff as they currently do and the City will reimburse them for those costs. Not only will this give us time to consider all possible options, but it has also reduced the City's proposed expenses by $20,000 over the six-month period. Also, with the lower cost of kitchen staffing through the nonprofit and both the meal revenues and nonprofit contribution of $25,000 still coming to the City, the net cost to the providing the meal services should be roughly zero. A final recommendation on how to staff the food operation into the future will be brought to the Finance Committee and City Council for approval by the end of FY 11-12.

Also included in this request is $65,500 in one-time costs that will allow for some small renovations (painting, etc), equipment, office furniture and the installation of fiber optic wiring and outlets in the facility to allow for City phones and network access. These costs have been reduced by $15,000 from the original proposal due to lower than expected bids for service, and the City's Support Services Departments (Facilities & Fleet/Information Services) finding ways with their current equipment inventories to accommodate some of the Senior Center's needs. Overall, the proposed increase in City expenses for FY 11-12 has been reduced by $35,000 when compared to the original proposal.

***Budget Impact*:** The amount of additional appropriations being requested for FY 11-12 is $180,650. This includes all food program costs, all one-time expenses for the facility, office supplies for the new staff and program materials/supplies. We are also anticipating revenues totaling $127,100 for FY 11-12. This includes meal charges, program revenue, fundraising, donations and a $25,000 contribution from the CSCH to support the food operation. The net budget impact for FY 11-12 from this request is $53,550.

***Recommendation*:** Please consider forwarding a recommendation to City Council for approval of additional M&S and Capital appropriations for the Parks and Recreation Department for the operation of the Hillsboro Senior Center and authorize a transfer of $180,650 for FY 11-12 from the General Fund Contingency.

CITY OF HILLSBORO

DATE: December 6, 2011

TO: Finance Committee

FROM: Andrew Bartlett, Management Analyst, Administration Department

SUBJECT: Franchise Agreement with CoastCom, Inc.

Requested Action:

Consider staff recommendation to forward a recommendation to City Council to pass a resolution authorizing a telecommunications franchise agreement with CoastCom, Inc. for use of the City of Hillsboro's right-of-way under Hillsboro Municipal Code Subchapter 5.76.

Background:

CoastCom, Inc. has officially requested a telecommunications franchise from the City of Hillsboro.

The City of Hillsboro passed a Master Telecommunications Ordinance (Ordinance Number 4542) on December 2, 1997, which outlines the requirements for a telecommunications company to obtain a franchise agreement with the City. The franchise allows companies to build in the City's rights-of-way. A typical term of a franchise under the Master Telecommunications Ordinance is five years. The proposed CoastCom, Inc. franchise is for the same period of time.

Pursuant to Section 5.76.090 of the Code, the City Council shall issue a written determination granting or denying the franchise application, in whole, or in part, applying the standards listed below. If the franchise application is denied, the written determination shall include the reasons for denial. The standards to be applied by the City Council are: a) financial and technical ability of the applicant, b) legal ability of the applicant, and c) ability to meet applicable federal, state and local telecommunication laws, regulations and policies.

Financial and Technical Ability of the Applicant

Staff has examined the financial and technical ability of the applicant and believes the company is fully capable of implementing their proposed business plan.

The Legal Ability of the Applicant

Coast Com, Inc. is a privately held Oregon Subchapter S corporation qualified to do business in the State of Oregon. It is in the process of obtaining a City of Hillsboro business license or exemption certificate as required in Section 5.04.030.

Applicable Federal, State and Local Telecommunication Laws, Regulations and Policies

The City has a Master Telecommunications Franchise that is used for each telecommunications provider occupying the rights-of-way within the City. The Master Franchise requires the franchisee to comply with all applicable terms of HMC Subchapter 5.76, which in turn requires compliance with all applicable federal and state laws and regulations. CoastCom, Inc. has agreed to the terms set forth in the Master Franchise, including the quarterly franchise fee set forth in HMC 5.76.143.

Project Cost:

Under the Master Telecommunications Ordinance 4542, construction cannot begin until a performance bond has been submitted as well as other general, automobile and excess liability insurance. CoastCom, Inc. will be submitting the appropriate bonds and certificates of insurance to staff. This will ensure that the City's right-of-way is protected and the costs of repair covered if necessary.

Financial Impact:

Approval of the franchise agreement with CoastCom, Inc. will provide the City with an addition revenue source from the quarterly franchise fee received from the company. Additionally, CoastCom, Inc. has agreed to make a onetime payment of $7,000 for facilities that are already located within the City.

Recommendation:

Please consider forwarding a recommendation to the City Council to pass a resolution authorizing the Mayor and City Recorder to sign a telecommunications franchise agreement with CoastCom, Inc.

CITY OF HILLSBORO

M E M O R A N D U M

DATE: December 8, 2011

TO: Finance Committee

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

SUBJECT: October Investment Report Summary

The October 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 October Investment report, the City currently has about $92.8 million invested in a variety of investment instruments. The annualized rate of return net of fees is 1.19%, which is up slightly from September.

In addition to the investment portfolio, the City also had $29.9 million invested in the State Local Government Investment Pool (LGIP) at the end of October. 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.

The City received about $42 million in property taxes in November. The City worked with its investment advisor to invest these funds to meet future liquidity needs of the City and obtain the best interest rates. The new investments have anticipated earnings of .5% which is the same as the LGIP.

CITY OF HILLSBORO

October 31, 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

OCTOBER 2011

The themes for the month of October were uncertainty and volatility. This uncertainty was caused by the continuing sovereign debt crisis in Greece and fears that it will spread to other European countries. Fears that Europe would drag the rest of the world into a second recession kept interest rates low and the equity markets erratic. By the end of the month the following issues were decided on during the European Summit meeting:

1) Leverage of the European Financial Stability Facility (EFSF) – Allow the use of the EFSF as insurance against missed debt payments.
2) Greek Sovereign Debt-Proposed a 50% voluntary haircut on private holdings of Greek Debt.
3) Bank Recapitalization – The European Banks will need a 9% capital threshold to be achieved by June 2012.

This will be an issue to continue to monitor as the Greek public generally reject any proposed austerity measures. The bond market reaction has been a flight to quality (lower yields) when it appears that no deal has been reached and a spike in rates when the market perceives acceptance of a deal to solve the sovereign debt crisis.

Municipal Bonds: One asset class which deserves some comment is municipal bonds. The chart below illustrates the relationship in yield between AAA rated municipal bonds and US Treasury securities. Percentages higher than 100% indicate that AAA municipal bonds are now yielding more than treasuries. AAA rated municipal securities are trading at extremely high ratios in the five year sector while longer dated AAA municipals are just under their recent high levels hit in late September.

Investors with investment policies and risk tolerance that allows very highly rated municipal securities should consider this aberration as a way to increase yields versus treasury/agency alternatives. Five year AAA municipal maturities are now yielding 125% of treasury yields and are trading significantly higher than last June when they yielded just 72% of treasury yields. Treasury yields in the five year area are now at .91%. AAA municipals yielding 125% more, or close to a yield of 1.15%, could offer significant value and potentially greater performance with a ratio stabilizing at current levels and a significant performance advantage if ratios return to June levels.

Municipal/Treasury Ratios		
Date	2 Year	5 Year
10/31/2011	185	125.39
9/30/2011	141.633	100.105
8/31/2011	167.662	92.939
7/31/2011	105.602	89.528
6/30/2011	102.826	72.02
5/31/2011	100.213	74.588
4/30/2011	88.595	78.974

Source: Bloomberg

2 Year Municipal/Treasury Ratio

5 Year Municipal/Treasury Ratio

Other Economic Data:

- The Non-farm payrolls (NFP) released on 10/07 showed that NFP increased 103,000 in September vs. expectations of an increase of 60,000.
- Third quarter GDP rose 2.5%, as expected.

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

	08/31/11	09/30/11	10/31/11	Change August
3-month bill	0.01	0.02	-0.01	-0.03
6-month bill	0.05	0.05	0.04	-0.01
2-year note	0.20	0.24	0.24	unch
5-year note	0.96	0.95	0.96	+0.01
10-year note	2.22	1.92	2.11	+0.19

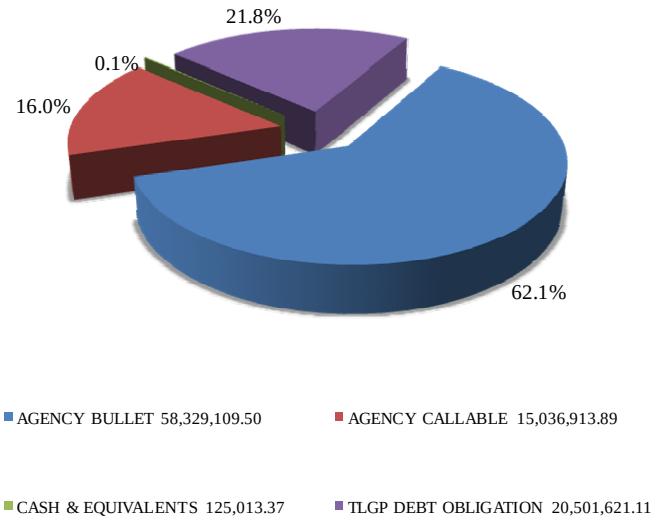
Source: Bloomberg

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

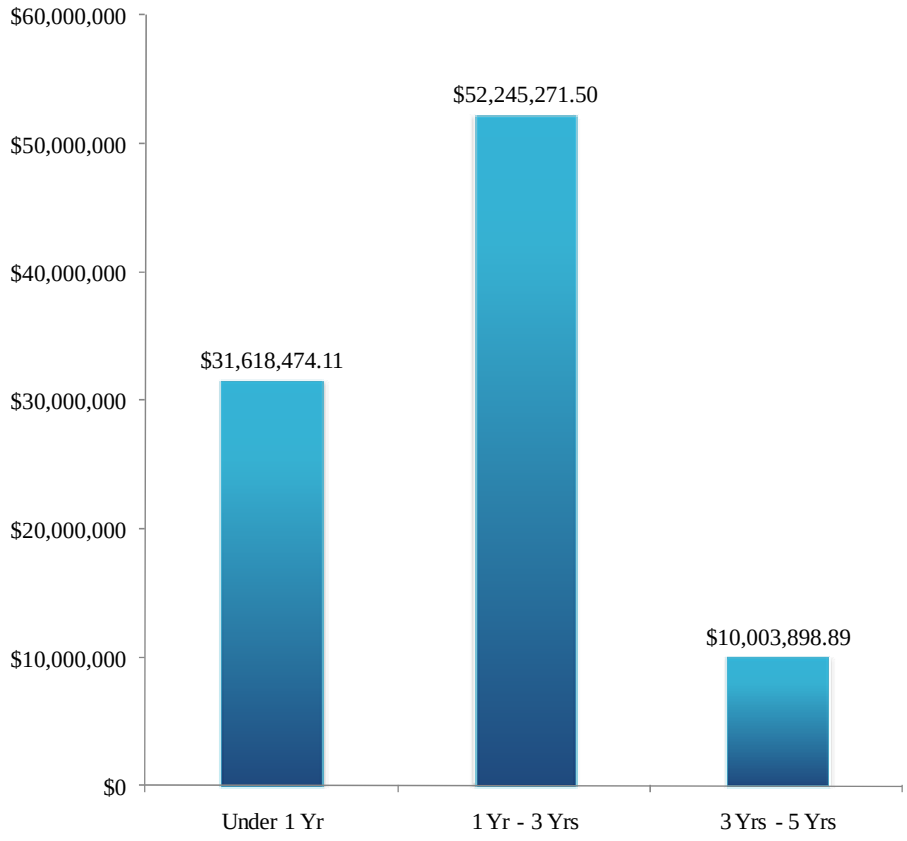
Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

CITY OF HILLSBORO

DISTRIBUTION BY ASSET CLASS



DISTRIBUTION BY MATURITY



DISTRIBUTION BY ISSUER

Industry Groups	Market Value	Pct.
FHLB	42,774,309.78	45.51
TLGP DEBT OBLIGATION	20,501,621.11	21.81
FNMA	20,208,811.11	21.50
FHLMC	5,349,887.50	5.69
FFCB	5,033,015.00	5.35
CASH & EQUIVALENTS	125,013.37	0.13
Total	**93,992,657.87**	**100.00**

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

Securities Summary Report
CITY OF HILLSBORO
October 31, 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	57,787,045.21	58,137,797.00	350,751.79	583	62.18	0.4	1.6	0.0
AGENCY CALLABLE	15,000,000	14,994,000.00	14,994,323.58	15,005,900.00	11,576.42	1,138	16.05	0.9	3.1	0.8
TLGP DEBT OBLIGATION	20,000,000	20,155,220.00	20,056,093.70	20,360,510.00	304,416.30	280	21.77	0.2	0.8	0.0
TOTAL	**92,250,000**	**93,277,302.50**	**92,837,462.48**	**93,504,207.00**	**666,744.52**	**606**	**100.00**	**0.4**	**1.6**	**0.8**

Securities Summary Report
CITY OF HILLSBORO
October 31, 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	42,349,193.93	42,669,282.00	320,088.07	516	45.63	0.4	1.4	0.0
FNMA	20,000,000	20,186,580.00	20,172,568.07	20,175,700.00	3,131.93	1,037	21.58	0.6	2.8	0.9
FHLMC	5,000,000	5,326,290.00	5,260,478.37	5,285,825.00	25,346.63	606	5.65	0.3	1.6	0.0
FFCB	5,000,000	4,999,000.00	4,999,128.42	5,012,890.00	13,761.58	956	5.36	0.9	2.6	0.6
TLGP DEBT OBLIGATION	20,000,000	20,155,220.00	20,056,093.70	20,360,510.00	304,416.30	280	21.77	0.2	0.8	0.0
TOTAL	**92,250,000**	**93,277,302.50**	**92,837,462.48**	**93,504,207.00**	**666,744.52**	**606**	**100.00**	**0.4**	**1.6**	**0.8**

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

SUMMARY OF AMORTIZED COST BASIS RETURN FOR THE PERIOD

CITY OF HILLSBORO

September 30, 2011 to October 31, 2011

	Total Portfolio
Interest Earned	135,805.04
Accretion/Amortization	-41,696.64
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	94,108.39
Average Daily Historical Cost	93,918,086.75
Return	0.10%
Annualized Return	1.19%
Annualized Return Net of Fees	1.19%
Weighted Duration to Maturity in Years	1.64
Weighted Days to Maturity	606

DETAIL AMORTIZATION COST RETURN

CITY OF HILLSBORO

From 09-30-11 to 10-31-11

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	79,173.61	-36,536.06	0.00	42,637.55
AGENCY CALLABLE	11,409.72	149.23	0.00	11,558.95
CASH & EQUIVALENTS	13.37	0.00	0.00	13.37
TLGP DEBT OBLIGATION	45,208.33	-5,309.82	0.00	39,898.52
TOTAL	**135,805.04**	**-41,696.64**	**0.00**	**94,108.39**

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

DETAIL ON MARKET VALUE RETURN
CITY OF HILLSBORO
From 09-30-11 to 10-31-11

Current Holdings	Interest Earned	Change in Market Value	Total Income
AGENCY BULLET	79,173.61	-37,636.50	41,537.11
AGENCY CALLABLE	11,409.72	-1,500.00	9,909.72
CASH & EQUIVALENTS	13.37	0.00	13.37
TLGP DEBT OBLIGATION	45,208.33	-20,920.00	24,288.33
TOTAL	**135,805.04**	**-60,056.50**	**75,748.54**

PERFORMANCE REPORT
CITY OF HILLSBORO

From 09-30-11 to 10-31-11

Portfolio Value on 09-30-11		93,574,263.50
Accrued Interest		351,395.83
	Contributions	0.00
	Withdrawals	-8,750.00
	Market Value Change in Period	-60,056.50
	Interest Earned in Period	135,805.04
Portfolio Value on 10-31-11		93,629,220.37
Accrued Interest		363,437.50
Weighted Portfolio Value		93,918,086.75
Total Return		75,748.54
Return For Period		**0.08**
Return For Period Annualized		**0.95**

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

CITY OF HILLSBORO
PORTFOLIO RETURNS
Target Benchmark: Treas 0-3 Year
From 06-30-11 to 10-31-11
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
10/31/2011	93,925,659.33	-8,750.00	-60,056.50	135,805.04	93,992,657.87	75,748.54
Total		-6,973,336.15	-234,846.50	583,601.53		348,755.03

Duration Comparison

Portfolio Duration	Treas 0-3 Year Duration	Difference	DFIM 0-3
1.19	1.44	-0.255	1.60
1.41	1.45	-0.043	1.59
1.53	1.43	0.095	1.61
1.44	1.42	0.011	1.61

Monthly Return

Date	Price Return	Interest Return	Portfolio Return	Treas 0-3 Year Return
07/31/2011	-0.051%	0.165%	0.111%	0.181%
08/31/2011	0.047%	0.159%	0.203%	0.273%
09/30/2011	-0.181%	0.141%	-0.044%	-0.103%
10/31/2011	-0.064%	0.145%	0.078%	0.071%

Cumulative Return

	YTD Portfolio	YTD Treas 0-3 Year	Difference	YTD DFIM 0-3	Since Inception Portfolio	Since Inception Treas 0-3 Year	Since Inception DFIM 0-3
	0.111%	0.181%	-0.070%	0.121%	10.469%	9.213%	11.834%
	0.315%	0.454%	-0.140%	0.363%	10.694%	9.511%	12.104%
	0.271%	0.351%	-0.081%	0.311%	10.645%	9.399%	12.045%
	0.348%	0.422%	-0.074%	0.378%	10.731%	9.476%	12.120%
Annualized	**1.037%**	**1.258%**	**-0.221%**	**1.125%**	**2.634%**	**2.336%**	**2.961%**

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

CITY OF HILLSBORO
PORTFOLIO HOLDINGS

October 31, 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	100.73	0.61	100.95	0.14	11,104,478.00	12,375.00	11,116,853.00	24,588.24	11.9	0.45	0.45
3133XW7L7	10,000,000	FEDERAL HOME LN BKS 1.500% Due 01-16-13		06-10-10	100.20	1.33	101.36	0.37	10,136,460.00	43,750.00	10,180,210.00	116,051.61	10.8	1.20	1.20
3133XWX87	5,000,000	FEDERAL HOME LN BKS 1.750% Due 03-08-13		03-01-10	100.21	1.59	101.74	0.46	5,086,995.00	12,881.94	5,099,876.94	76,257.03	5.4	1.34	1.34
3137EABM0	5,000,000	FEDERAL HOME LN MTG CORP 3.750% Due 06-28-13		05-31-11	105.21	0.58	105.72	0.29	5,285,825.00	64,062.50	5,349,887.50	25,346.63	5.6	1.61	1.61
313371UC8	6,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		03-16-11	99.63	1.05	100.84	0.48	6,050,226.00	18,083.33	6,068,309.33	72,465.85	6.5	2.13	2.13
313374B41	10,250,000	FEDERAL HOME LN BKS 0.700% Due 01-30-14		06-23-11	100.10	0.65	100.40	0.52	10,291,123.00	17,937.50	10,309,060.50	30,725.34	11.0	2.23	2.23
3135G0AP8	10,000,000	FEDERAL NATL MTG ASSN MTN 1.250% Due 02-27-14		08-19-11	101.77	0.48	101.83	0.46	10,182,690.00	22,222.22	10,204,912.22	5,317.09	10.9	2.29	2.29
	57,250,000					0.85		0.38	58,137,797.00	191,312.50	58,329,109.50	350,751.79	62.1	1.58	1.58
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	100.26	0.95	5,012,890.00	20,125.00	5,033,015.00	13,761.58	5.4	2.57	0.61
3135G0CT8	10,000,000	FEDERAL NATL MTG ASSN 0.800% Due 03-12-15	09-12-12	09-08-11	99.95	0.81	99.93	0.82	9,993,010.00	10,888.89	10,003,898.89	-2,185.16	10.7	3.31	0.86
	15,000,000					0.90		0.86	15,005,900.00	31,013.89	15,036,913.89	11,576.42	16.0	3.06	0.78
CASH & EQUIVALENTS															
cash		Cash Account				0.50			125,013.37		125,013.37		0.1		
TLGP DEBT OBLIGATION															
38146FAA9	10,000,000	GOLDMAN SACHS FDIC GTD 3.250% Due 06-15-12		11-25-08	100.01	3.22	101.89	0.21	10,188,860.00	122,777.78	10,311,637.78	187,423.28	10.9	0.62	0.62
36967HBB2	10,000,000	GENERAL ELECTRIC FDIG GTD 2.000% Due 09-28-12		04-19-10	100.55	1.38	101.72	0.11	10,171,650.00	18,333.33	10,189,983.33	116,993.02	10.9	0.91	0.91
	20,000,000					2.31		0.16	20,360,510.00	141,111.11	20,501,621.11	304,416.30	21.7	0.76	0.76
TOTAL	**92,250,000**					**1.17**		**0.41**	**93,629,220.37**	**363,437.50**	**93,992,657.87**	**666,744.52**	**100.0**	**1.63**	**1.27**

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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 10-01-11 To 10-31-11

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Deposit							
10-31-11	10-31-11	manfee		Management Fee		2,875.00	
Interest							
10-03-11	10-03-11	CASH		CASH 0.220% Due 11-01-11		13.37	
10-13-11	10-13-11	3133XTAW6		FEDERAL HOME LN BKS 2.250% Due 04-13-12		123,750.00	
						123,763.37	
Deliver out long							
10-05-11		cash		Cash Account		8,625.00	
10-17-11		cash		Cash Account		125.00	
						8,750.00	

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF HILLSBORO
October 31, 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	-5,112.95	-50,189.63	-92,363.02	-54,656.98	10,054,656.98
GOLDMAN SACHS FDIC GTD 3.250% Due 06-15-12 (38146FAA9)									
10,000,000	1	11-25-08	100.082	10,008,200.00	-196.87	-1,930.55	-6,763.28	-1,436.72	10,001,436.72
Total				20,155,220.00	-5,309.82	-52,120.18	-99,126.30	-56,093.70	20,056,093.70
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	-6,476.76	-14,207.09	-14,207.09	-177,372.91	10,177,372.91
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	121.00	195.16	195.16	4,804.84	9,995,195.16
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	-13,334.38	-65,811.63	-65,811.63	-260,478.37	5,260,478.37
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	875.63	6,440.15	6,440.15	22,239.85	5,977,760.15
FEDERAL HOME LN BKS 0.700% Due 01-30-14 (313374B41)									
10,250,000	1	06-23-11	100.117	10,261,992.50	-392.38	-1,594.84	-1,594.84	-10,397.66	10,260,397.66
FEDERAL HOME LN BKS 2.250% Due 04-13-12 (3133XTAW6)									
11,000,000	1	07-15-10	102.810	11,309,100.00	-15,101.11	-148,496.56	-229,210.24	-79,889.76	11,079,889.76
FEDERAL HOME LN BKS 1.500% Due 01-16-13 (3133XW7L7)									
10,000,000	1	06-10-10	100.438	10,043,800.00	-1,433.08	-14,074.23	-23,391.61	-20,408.39	10,020,408.39
FEDERAL HOME LN BKS 1.750% Due 03-08-13 (3133XWX87)									
5,000,000	1	03-01-10	100.480	5,024,000.00	-673.97	-6,612.85	-13,262.03	-10,737.97	5,010,737.97
Total				42,610,212.50	-16,724.91	-164,338.33	-261,018.57	-99,193.93	42,349,193.93

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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
October 31, 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	28.23	128.42	128.42	871.58	4,999,128.42
GRAND TOTAL				**93,277,302.50**	**-41,696.64**	**-296,153.65**	**-439,840.02**	**-587,462.48**	**92,837,462.48**

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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 09-30-11 To 10-31-11

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	94,791.67	0.00	0.00	0.00	27,986.11	122,777.78
36967HBB2	GENERAL ELECTRIC FDIG GTD 2.000% Due 09-28-12	1,111.11	0.00	0.00	0.00	17,222.22	18,333.33
		95,902.78	0.00	0.00	0.00	45,208.33	141,111.11
CORPORATE Total		95,902.78	0.00	0.00	0.00	45,208.33	141,111.11
AGENCY							
AGENCY BULLET							
FHLB							
3133XTAW6	FEDERAL HOME LN BKS 2.250% Due 04-13-12	114,812.50	0.00	0.00	-123,750.00	21,312.50	12,375.00
3133XW7L7	FEDERAL HOME LN BKS 1.500% Due 01-16-13	30,833.33	0.00	0.00	0.00	12,916.67	43,750.00
3133XWX87	FEDERAL HOME LN BKS 1.750% Due 03-08-13	5,347.22	0.00	0.00	0.00	7,534.72	12,881.94
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	13,562.50	0.00	0.00	0.00	4,520.83	18,083.33
313374B41	FEDERAL HOME LN BKS 0.700% Due 01-30-14	11,958.33	0.00	0.00	0.00	5,979.17	17,937.50
		176,513.89	0.00	0.00	-123,750.00	52,263.89	105,027.78
FNMA							
3135G0AP8	FEDERAL NATL MTG ASSN MTN 1.250% Due 02-27-14	11,458.33	0.00	0.00	0.00	10,763.89	22,222.22
		11,458.33	0.00	0.00	0.00	10,763.89	22,222.22
FHLMC							
3137EABM0	FEDERAL HOME LN MTG CORP 3.750% Due 06-28-13	47,916.67	0.00	0.00	0.00	16,145.83	64,062.50
		47,916.67	0.00	0.00	0.00	16,145.83	64,062.50

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

INTEREST ACCRUALS
CITY OF HILLSBORO
From 09-30-11 To 10-31-11

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
AGENCY BULLET Total		235,888.89	0.00	0.00	-123,750.00	79,173.61	191,312.50
AGENCY CALLABLE							
FNMA							
3135G0CT8	FEDERAL NATL MTG ASSN 0.800% Due 03-12-15	4,000.00	0.00	0.00	0.00	6,888.89	10,888.89
		4,000.00	0.00	0.00	0.00	6,888.89	10,888.89
FFCB							
31331KMU1	FEDERAL FARM CR BKS CONS 1.050% Due 06-13-14	15,604.17	0.00	0.00	0.00	4,520.83	20,125.00
		15,604.17	0.00	0.00	0.00	4,520.83	20,125.00
AGENCY CALLABLE Total		19,604.17	0.00	0.00	0.00	11,409.72	31,013.89
AGENCY Total		255,493.06	0.00	0.00	-123,750.00	90,583.33	222,326.39
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.220% Due 11-01-11	0.00	0.00	0.00	-13.37	13.37	0.00
		0.00	0.00	0.00	-13.37	13.37	0.00
CASH & EQUIVALENTS Total		0.00	0.00	0.00	-13.37	13.37	0.00
CASH Total		0.00	0.00	0.00	-13.37	13.37	0.00
TOTAL PORTFOLIO		**351,395.83**	**0.00**	**0.00**	**-123,763.37**	**135,805.04**	**363,437.50**

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Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

PROJECTED FIXED INCOME CASH FLOWS
CITY OF HILLSBORO
Beginning October 31, 2011

Security	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	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						10,100,000.00	10,200,000.00
TOTAL			162,500.00			100,000.00			10,162,500.00			10,100,000.00	20,525,000.00
AGENCY													
FEDERAL HOME LN BKS 2.250% Due 04-13-12							11,123,750.00						11,123,750.00
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	87,500.00
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 October 31, 2011

Security	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
FEDERAL NATL MTG ASSN 0.800% Due 03-12-15						40,000.00						40,000.00	80,000.00
TOTAL			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	83,750.00	11,930,500.00
GRAND TOTAL			**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**	**10,183,750.00**	**32,455,500.00**

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