



Local Government

News Report

AUGUST 2013

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HOLIDAYS AND CLOSURES

Labor Day Holiday
September 2nd
(Oregon State Treasury
and Banks closed)

EMMA COMPLIANCE REMINDER

If your jurisdiction has issued municipal bonds which are still outstanding, you may be required (per your [continuing disclosure certificate](#)) to file [material event](#) notices and provide [annual financial information](#) to investors. These [continuing disclosure](#) filings are required to be submitted to a web-based central repository system called the Electronic Municipal Market Access or "EMMA" which is located at www.emma.msrb.org. This was developed by the [Municipal Securities Rulemaking Board](#) (MSRB) to centralize the disclosure filing process and to assure that all investors had public access to accurate and timely information related to their bonds.

The State Treasurer's Office strongly recommends that local government bond issuers become familiar with the EMMA system as soon as possible, including getting your organization registered on EMMA and "taking control" of the [CUSIPs](#) associated with your jurisdiction's outstanding bonds. The MSRB recently launched a new service that will allow state and local issuers, borrowers, and

others to schedule automated emails that remind them of filing deadlines for annual and quarterly financial disclosures. An issuer can add up to three additional email recipients to its scheduled reminders. For more information about this service, go to: <http://www.msrb.org/msrb1/pdfs/Financial-Disclosure-Email-Reminders-Fact-Sheet.pdf>

If you need assistance or have questions regarding EMMA, please feel free to contact Jenny Harding in the Debt Management Division at (503) 378-4930 or by e-mail at Jennifer.Harding@ost.state.or.us.

INTEREST RATES

The average annualized yield for July was:

0.54 percent

The rate for July was as follows:

July 1st - 31st

0.54 percent

UPCOMING BANK HOLIDAY

Due to the Labor Day holiday, the Office of the State Treasurer, Fed wire service, and Oregon banks will be closed Monday, September 2nd. Any ACH transfers called prior to 1:00 p.m. on Friday, August 30th, will settle at your bank on Tuesday, September 3rd. ACH transfers called between 1:00 p.m. Friday, August 30th, and 1:00 p.m. Tuesday, September 3rd, will settle at your bank on Wednesday, September 4th.

2013 LEGISLATIVE CHANGES

The 2013 Legislative Session resulted in changes that will impact local governments with respect to investment offerings provided by the Oregon State Treasury ("Treasury"). Of note, are those changes made as a result of the passage of both Senate Bill 351 and House Bill 2140.

Senate Bill 351 resulted in the addition of a qualified participant type, as well as an adjustment to how the individual participant fund limitation is established. Notably, Oregon Indian tribes are now qualified to participate in the Local Government Investment Pool (LGIP). Tribal governments interested in participating in the pool can find information about the LGIP [here](#) or can contact Treasury's Local Government Customer Services staff at 1-800-345-0345 or lgip@mail.ost.state.or.us for more information.

The periodic pool limitation adjustment outlined in ORS 294.810 (2) has been changed to occur annually in September. Previously, a new pool limitation amount was calculated semiannually each February and August. In addition to the frequency change, the limitation adjustment will now be based on the U.S. City Average Consumer Price Index. In the past, the Portland Metropolitan Statistical Area Consumer Price Index had been used for limitation adjustments. Limitation adjustments, including effective date of such adjustments, will be published by Treasury as soon as the relevant data is available. Please contact Brady Coy at 503-378-2457 if you have questions related to these LGIP-focused legislative changes.

House Bill 2140 expands the list of allowable investment types for local government officials to include "any other commingled investment pool established by the State Treasurer for investment of the funds of state agencies or local governments." Notably, sponsors and proponents of the legislation looked towards the Oregon Intermediate Term Pool (OITP) as the current focus of this expansion of authority. Also discussed during the legislative consideration process, however, was the need for new reporting and administrative resources to be in place before the OITP can be opened to local government investors. Critical to this resourcing issue is the question of investment program governance that the Oregon Investment Council began to address with the legislature this past session. Upon resolution of this fundamental issue the Council will consider expansion of programs such as is contemplated in HB 2140.

In the meantime, Treasury would be happy to place interested local governments on our contact list for future information regarding this potential new opportunity. Please contact OITP@ost.state.or.us to be placed on that list. For informational purposes only, the current prospectus and investment policy for the Oregon Intermediate Term Pool (OITP) can be found on the Oregon State Treasury website [here](#).

ANNUAL ONLINE USER VALIDATION FOLLOW-UP

Thank you to those local governments that responded to our annual User Validation e-mail sent out in mid-June. As a reminder, this e-mail was directed to those designated as Password Administrators. It contained a listing of all users within the local government that were setup to access online statements. Some local governments have yet to respond regarding the accuracy of the validation report, which was due back to OST by July 31st. If your local government currently accesses your pool statements via the Internet, please take a few minutes to confirm that the appropriate person for your local government has responded to the e-mail. This important validation process helps us confirm that the right local government staff has access to online statements. Failure to respond could result in a removal of access privileges.

CREDIT MARKET REVIEW

Short rates and credit spreads caught a slight tailwind in July after facing headwinds throughout most of May and June. Two year and three year treasury yields ended the month lower while short credit spreads narrowed slightly. All in all it was a decent start to the third quarter that ends in what could be a volatile month of September.

July payrolls surprised to the downside as the economy added 162k nonfarm jobs, less than the Bloomberg reported median economist expectation of 185k. The headline unemployment rate fell to 7.4 percent as the labor force participation rate ticked down. The report revised June nonfarm payroll additions from 195k to 188k jobs while May was revised from 195k to 176k nonfarm jobs. The jobs report was widely seen as negative but likely not bad enough to derail the Fed's ambitions to taper their bond buying later in 2013. The first release for second quarter GDP was released on July 31st. The reading showed the economy expanded at an annualized rate of 1.7 percent, above

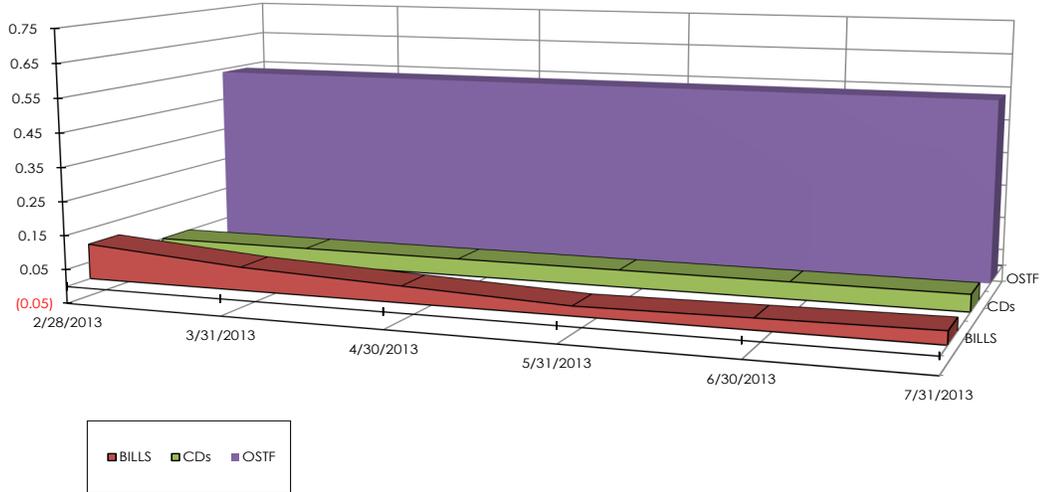
the Bloomberg reported median economist expectation of 1.0 percent. Positive June trade balance figures, released on August 6th, created optimism that 2nd quarter growth might be revised higher on subsequent releases. Investors will continue to keep a close eye on economic data to get a hint at what the Fed may do at their September meeting.

Yields on Agency discount notes and Treasury bills continued grinding lower on the back of reduced supply and increased demand as bond investors looked for a shield from duration as they digested the May and June bond market volatility. This move led other short rates, such as commercial paper and municipal VRDN's, lower in sympathy. Short credit spreads tightened seven basis points, as measured by the Barclays 1-3 Year Corporate Index. Bill supply is likely to pick up in the fall due to seasonal factors; such a move may ameliorate the situation leading to marginally higher rates in the bill space.

MARKET DATE TABLE

	7/31/13	1 Month	3 Months	12 Months		7/31/13	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.02	0.01	0.03	0.05	Barclays 1-3 Year Corporate YTW*	1.09	1.23	0.86	1.27
30-Day Agency Note Disc**	0.02	0.03	0.04	0.07	Barclays 1-3 Year Corporate OAS*	0.73	0.80	0.63	1.02
90-Day Agency Note Disc**	0.04	0.06	0.06	0.11	Barclays 1-3 Year Corporate Modified Duration*	1.99	2.03	2.00	1.97
180-Day Agency Note Disc**	0.08	0.10	0.08	0.12					
360-Day Agency Note Disc**	0.14	0.16	0.13	0.15	JPM 1-3 Year Floating Rate Note Index Yield***	0.69	0.77	0.55	1.49
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	41.02	46.47	37.22	115.48
30-Day Treasury Bill**	0.02	0.01	0.02	0.05					
60-Day Treasury Bill**	0.02	0.02	0.03	0.08	7-Day Muni VRDN Yield**	0.05	0.06	0.22	0.15
90-Day Treasury Bill**	0.03	0.03	0.04	0.10					
6-Month Treasury Yield**	0.07	0.09	0.08	0.14	O/N GGC Repo Yield**	0.07	0.09	0.17	0.15
1-Year Treasury Yield**	0.11	0.14	0.10	0.17	O/N GGC Reverse Repo Yield**	0.11	0.13	0.22	0.23
2-Year Treasury Yield**	0.31	0.35	0.21	0.23					
3-Year Treasury Yield**	0.59	0.64	0.31	0.31	1-Day CP (A1/P1)**	0.11	0.13	0.13	0.17
					7-Day CP (A1/P1)**	0.13	0.14	0.14	0.19
1-Month LIBOR**	0.19	0.20	0.20	0.25	30-Day CP (A1/P1)**	0.18	0.16	0.18	0.24
3-Month LIBOR**	0.27	0.27	0.27	0.44					
6-Month LIBOR**	0.40	0.41	0.43	0.73	30-Day CD (A1/P1)**	0.17	0.16	0.18	0.24
12-Month LIBOR**	0.67	0.69	0.70	1.06	90-Day CD (A1/P1)**	0.21	0.22	0.23	0.38
					6-Month CD (A1/P1)**	0.29	0.32	0.34	0.66
US 1 Year Inflation Break-Even**	0.94	0.79	1.00	0.34	1-Year CD (A1/P1)**	0.52	0.54	0.47	1.02
US 2 Year Inflation Break-Even**	1.43	1.30	1.53	1.19					
US 3 Year Inflation Break-Even**	1.55	1.46	1.77	1.44	Sources: *Barclays, **Bloomberg, ***JP Morgan				

OREGON SHORT TERM FUND ANALYSIS AS OF 7-31-13



	2/28/2013	3/31/2013	4/30/2013	5/31/2013	6/30/2013	7/31/2013
LGIP AV DOLLARS INVESTED (MM)	6,192	6,108	5,995	6,036	5,279	4,908
STATE AGENCY AV DOLLARS INVESTED (MM)	6,222	6,037	6,435	6,955	6,914	6,814
TOTAL OSTF AV DOLLARS INVESTED (MM)	12,414	12,145	12,430	12,991	12,193	11,722
OST ANNUAL YIELD (ACT/ACT)	0.54	0.54	0.54	0.54	0.54	0.54
3-MO UST BILLS (BOND EQ YLD)	0.10	0.07	0.05	0.03	0.03	0.04
3-MO JUMBO CDS (ACT/360)	0.05	0.05	0.05	0.05	0.05	0.05

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to accountholders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from month end. 3-MO JUMBO CDS is the highest posted rate received by the Treasury from Oregon banks as of month end. Consequently, while the yield on UST Bills should normally be lower than CD rates, the fact that the quotes are up to a week different in time may result in an apparent reversal of this situation.

This material is available in alternative format and media upon request.

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