

MONTHLY REPORT
OF THE
INVESTMENT ADVISORY
COMMITTEE
OF THE CITY OF HAMILTON, OHIO

January 1, 2015 through January 31, 2015

INVESTMENT ADVISORY COMMITTEE

JANUARY 2015

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Monthly Investment Committee Report

January 2015

Introduction

This document meets the requirement of the City of Hamilton's Certified Investment Policy to report monthly to the Investment Advisory Committee. The report is designed to allow the Committee to ascertain that the City's investment activities conform to the Investment Policy and achieve the benchmark rate of return. In addition, the report includes commentary regarding the fixed income market and general economic conditions.

The Investment Advisory Committee approves the Investment Policy, reviews the City's investments, and adopts rules that assure the Policy is met. The Committee includes the Mayor (or Council designee), the City Manager, the Law Director, the Finance Director, and the Treasurer. The Committee attempts to meet annually.

It is the policy of the City of Hamilton, Ohio to invest interim funds to achieve the maximum preservation and security of funds, meet daily cash flow needs, and after achieving these objectives, achieve the highest rate of return. Investments are made using the "prudent investor" rule. Funds sufficient to meet payment obligations are kept in liquid funds. Funds not immediately needed are invested. Investments are made with the expectation that they will be held to maturity.

Investments include only those as provided in Chapter 135 of the Ohio Revised Code. All deposits must be collateralized at 102% of market value. Investments are diversified in accordance with the Investment Policy. The maximum maturity for investments is five years.

The City has pooled General Accounts, Rate Stabilization Accounts for the four City utilities, and an Electric System Reserve Account.

The portfolio performance standard is a weighted benchmark as follows: 50% average two-year Treasury Note, 25% three month average Star Plus yield; 25% one to three year Merrill Lynch Index.

The City has a checking sweep account at US Bank, STAR Ohio & Star Plus money market accounts managed by the Ohio Treasurer of State, managed accounts with Bond-Tech, Inc., two First Financial Bank Money Market Accounts, and one First Financial Bank Certificate of Deposit. The City also has a custodial account with US Bank to settle trades.

Account	December Book Value	January Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	6,415,914.36	6,954,285.32	538,370.96	0.05
First Financial-Gen Oper	27,321,761.62	30,325,904.99	3,004,143.37	0.20
COH Treasurer's Notes	664,634.30	664,634.30	0.00	1.96
STAR Ohio - General	85,659.41	0.00	(85,659.41)	0.05
STAR Plus	20,051,628.64	20,055,031.56	3,402.92	0.20
First Financial Rate Stab.	12,817,340.09	12,819,517.28	2,177.19	0.20
First Financial Bank CD (Benninghofen Trust)	75,000.00	75,000.00	0.00	0.35
Bond Tech Managed Portfolio	26,553,865.38	20,052,245.76	(6,501,619.62)	1.087
Total	93,985,803.80	90,946,619.21	(3,039,184.59)	

As noted in the table above, the total portfolio balance for January demonstrated a net decrease of \$3,039,184.59 from December as described below.

The January **US Bank Sweep Account** increased \$538,370.96 as additional funds swept into the account at month-end.

The **First Financial General Operating** account increased \$3,004,143.37 for January, representing interest income earnings and the maturity of a Bond Tech security.

The **City of Hamilton's Treasurer's Notes**: Four Treasurer's Notes remain on the books effective January 31, 2015. A Treasurer's Note of \$100,000.00 financed the acquisition and installation of new golf course maintenance and irrigation equipment for the City's municipal golf courses. The note balance is \$20,000. A second Treasurer's Note of \$1,000,000.00 was sold to construct various 2010 special assessment projects. The note balance is \$192,800. The third Treasurer's Note of \$425,000.00 was sold in July, 2011 for a portion of the construction and repair of sidewalks, curbs, and gutters on various streets as part of the 2011 Special Assessment Street and Sidewalk Program. The note balance is \$170,000.00. The last Treasurer's Note of \$475,750.00 was sold February 15, 2013 for Municipal Golf Course maintenance equipment, clubhouse improvements, and golf and beverage cart purchases. The note balance is \$281,834.30.

The **STAR Ohio General Money Market** account shows a balance of zero as all funds were transferred into US Bank.

The **STAR Plus** account continues to provide attractive yields for alternative liquid investments. STAR Plus is a federally insured cash account that enables Ohio's political subdivisions to receive very competitive yields on their cash deposits thru a network of carefully-selected FDIC insured banks. STAR Plus offers weekly liquidity without penalty from withdraws and seamless integration with the existing general operating STAR Ohio account. The maximum deposit allowable by the State has just been increased to \$25,000,000. They received 20 basis points for January, or \$3,402.92 in interest earnings.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity for 13 months now. Funds were transferred from the Star Ohio Rate Stabilization Account to earn the higher rate of return. Interest income for January was \$2,177.19.

The **First Financial Bank CD Portfolio** consists of one \$75,000.00 CD for the Benninghofen Trust Fund. The CD matured in September and was rolled for another twelve months. The rate increased to 35 basis points, maturing August, 2015. Additional CD's will be purchased as attractive yields become available.

The \$6,501,619.62 net decrease in the **Bond Tech Managed Portfolio** of government securities reflects three investment purchases totaling \$5,496,437.50, two investment calls totaling \$12,000,000.00, plus the net of Treasury Investment Pool premiums and discounts for January. Additional investments are forthcoming as market yields begin to rise to more meaningful levels.

I. INVESTMENT ACTIVITY REPORT

January 2014

Monetary policy is made by the Federal Open Market Committee (FOMC) which consists of the members of the Board of Governors of the Federal Reserve System and five Reserve Bank presidents. Together, they are responsible for open market operations, the discount rate, and reserve requirements. The FOMC holds eight regularly scheduled meetings during the year and other meetings as needed. The FOMC met in January.

The Committee continues to support maximum employment and price stability, reaffirming to keep the federal funds rate at 0.00% - 0.25% for January. To determine how long the rate will remain at this level, the Committee will continue to assess labor market conditions, inflation data and financial developments. It is expected that the target rate will remain as is for some time, depending on the economy's ability to meet the Committee's employment and inflation objectives. The Committee continues to reinvest its principal payments from its agency debt and mortgage-backed holdings which should maintain accommodative financial conditions.

The City's account balance of \$90,946,619.21 consists of the Bond Tech invested portfolio, four Treasurer's Notes, STAR Ohio, STAR Plus, two First Financial Money Markets, one First Financial CD, and the US Bank Sweep Liquid Funds (See Tables II and III). For January, the Bond Tech General account had an unrealized gain in market value compared to book value of \$29,830.31 on the existing securities. This is a fluctuation where the market value of the securities rises over book value at the time of reporting. Future "step-up" securities are being purchased to provide movable yields as markets continue to improve. The portfolio experienced a realized gain of \$615.27 on the called securities. Total undistributed interest income for these accounts totaled \$73,853.77 including Treasury Investment Pool activity.

One CD continues to be on the books as of January 31, 2015, held by First Financial Bank. With market conditions improving, additional CD opportunities will be available for purchase. The City of Hamilton's Investment Policy requires portfolio reporting to the Investment Advisory Committee, including investment type, book value, market value and income earned. The Portfolio Performance Summary Table III provides this detail.

The Realized Estimated Annual Income of \$359,052.56 consisting of realized net gains and losses plus estimated annual interest is 0.39% of investment book value versus the benchmark target of 0.40%. The approximate \$20.0 million Bond Tech book values gained yields in excess of one percent, thus keeping the Estimated Annual Income (page 7) moving upward. Efforts continue to locate additional securities and institutions that have the ability to maximize the City's returns. As always, conservatism remains the key to meet our investment objectives of safety first, liquidity second and lastly yield.

Respectfully submitted,



Deborah J. Hymer
Treasurer

II. Portfolio Balance Summary - January 31, 2015

General Accounts -- Book Values

Liquid Funds

STAR Ohio - General	\$	-
Star Plus	\$	20,055,031.56
U.S. Bank Treasury Investment	\$	6,954,285.32
First Financial*	\$	29,175,904.99
Total	\$	56,185,221.87

Invested Funds

Bond Tech			
U.S.Treasury/Agency	\$	20,052,245.76	
Certificates of Deposit	\$	75,000.00	
U.S. Treasury/Agency	\$	-	
Money Market Fund	\$	-	
COH Treasurer's Note	* \$	-	Held w/in US Bank O/N
COH Treasurer's Note	* \$	20,000.00	Held w/in US Bank O/N
COH Treasurer's Note	* \$	192,800.00	Held w/in US Bank O/N
COH Treasurer's Note	* \$	170,000.00	Held w/in US Bank O/N
COH Treasurer's Note	* \$	281,834.30	Held w/in US Bank O/N
Total	\$	20,791,880.06	

Total Liquid and Invested Funds

\$ 76,977,101.93

Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u>	
Gas Utility (Fund 516)				*Held as part of First Financial
Liquid Funds First Financial	\$ 2,507,654.43			
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 517)		\$ -	\$ 200,000.00	*
Electric Utility (Fund 526)				
Liquid Funds First Financial	\$ 2,106,295.83			
Bond Tech U.S. Treasury/Agency		\$ -		
Electric System Reserve (Fund 527)				
Liquid Funds First Financial	\$ 4,799,516.38			
Bond Tech U.S. Treasury/Agency		\$ -		
Water Utility (Fund 536)				
Liquid Funds First Financial	\$ 1,376,834.20			
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 537)		\$ -	\$ 200,000.00	*
Waste Water Utility (Fund 546)				
Liquid Funds First Financial	\$ 2,029,216.44			
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 547)		\$ -	\$ 750,000.00	*
Total	\$ 12,819,517.28	\$ -	\$ 1,150,000.00	\$ 13,969,517.28

Grand Total All Funds

\$ 90,946,619.21

**III. Portfolio Performance Summary
As of January 31, 2015**

Investment	Book Value	Market Value	Realized Gains/Losses		Estimated Annual Interest	Estd Annual Total Income	Realized Annual Income
			Unrealized Gains/Losses	Realized Gains/Losses			
Star Ohio General (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Star Plus	\$ 20,055,031.56	\$ 20,055,031.56	\$ -	\$ -	\$ 40,110.06	\$ 40,110.06	\$ 40,110.06
First Financial Rate Stab (2)	\$ 8,020,000.90	\$ 8,020,000.90	\$ -	\$ -	\$ 16,040.00	\$ 16,040.00	\$ 16,040.00
First Financial Elec Sys Reserve (3)	\$ 4,799,516.38	\$ 4,799,516.38	\$ -	\$ -	\$ 9,599.03	\$ 9,599.03	\$ 9,599.03
US Bk Checking Sweep (1)	\$ 6,954,285.32	\$ 6,954,285.32	\$ -	\$ -	\$ 3,477.14	\$ 3,477.14	\$ 3,477.14
First Financial General Operating*	\$ 30,325,904.99	\$ 30,325,904.99	\$ -	\$ -	\$ 60,651.81	\$ 60,651.81	\$ 60,651.81
City of Hamilton Treasurer's Note (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Hamilton Treasurer's Note (1)	\$ 20,000.00	\$ 20,000.00	\$ -	\$ -	\$ 594.00	\$ 594.00	\$ 594.00
City of Hamilton Treasurer's Note (2)	\$ 192,800.00	\$ 192,800.00	\$ -	\$ -	\$ 3,470.40	\$ 3,470.40	\$ 3,470.40
City of Hamilton Treasurer's Note (1)	\$ 170,000.00	\$ 170,000.00	\$ -	\$ -	\$ 3,587.00	\$ 3,587.00	\$ 3,587.00
City of Hamilton Treasurer's Note (3)	\$ 281,834.30	\$ 281,834.30	\$ -	\$ -	\$ 2,677.43	\$ 2,677.43	\$ 2,677.43
B-Tech General Account (1)	\$ 20,052,245.76	\$ 20,082,076.07	\$ 29,830.31	\$ 615.27	\$ 217,967.91	\$ 248,413.49	\$ 218,583.18
First Financial CD (1) Benninghofen	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ 262.50	\$ 262.50	\$ 262.50
Total	\$ 90,946,619.21	\$ 90,976,449.52	\$ 29,830.31	\$ 615.27	\$ 358,437.29	\$ 388,882.87	\$ 359,052.56

Realized Annual Income / Book Value = **0.39%**

Benchmark Rate of Return = **0.40%**

- (1) General Accounts
- (2) Rate Stabilization
- (3) Electric System Reserve

*Contains Gas, Water, & Wastewater Reserve of \$1,150,000

IV.

SHORT TERM YIELDS 2015				
MONTH	STAR OHIO OVERNIGHT LIQUIDITY	STAR PLUS	FIRST FINANCIAL GEN OPER	US BANK OVERNIGHT LIQUIDITY
JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER	0.05	0.20	0.20	0.05

v.

BOND TECH INC. General Operating 2015		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
JANUARY	1.087	0.240
FEBRUARY		
MARCH		
APRIL		
MAY		
JUNE		
JULY		
AUGUST		
SEPTEMBER		
OCTOBER		
NOVEMBER		
DECEMBER		

BOND TECH INC. Rate Stabilization 2015		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
JANUARY	N/A	N/A
FEBRUARY		
MARCH		
APRIL		
MAY		
JUNE		
JULY		
AUGUST		
SEPTEMBER		
OCTOBER		
NOVEMBER		
DECEMBER		

v.

Certificates of Deposit

Issue Date	Due Year 2014 / 2015	1st Financial Bank CD #	Amount	Yield	Purpose
08/15/14	08/15/15	17486357	75,000	0.35%	General Fund - Benninghofen Trust
Total			75,000		

**City of Hamilton General Operating 19-3266
Bond Tech Inc.
Managed Investment Portfolio - January 31, 2015**

Fund	Custody	Cusip	Purchase Date	Book Value	Next Call Date/Type	Maturity	DTM	Par Value	Coupon	Yield	Est'd Annl Inc
FHLMC Stepup	USB	3134G5MK8	11/20/2014	\$1,998,788.20	2/20/2015 Qtrly	11/20/2019	1,754	\$2,000,000.00	1.000%	1.076%	\$21,506.96
FHLMC Stepup	USB	3134G5MR3	11/20/2014	\$2,998,785.26	2/20/2015 Qtrly	11/20/2019	1,754	\$3,000,000.00	1.000%	1.050%	\$31,487.25
FHLB Stepup	USB	3130A3FZ2	11/26/2014	\$1,999,026.44	2/26/2015 Qtrly	11/26/2019	1,760	\$2,000,000.00	1.000%	1.151%	\$23,008.79
FHLMC Stepup	USB	3134G5QU2	12/17/2014	\$1,562,637.64	3/17/2015 Qtrly	12/17/2019	1,781	\$1,563,000.00	1.000%	1.060%	\$16,563.96
FHLMC Stepup	USB	3134G5RP2	12/18/2014	\$2,998,010.24	3/18/2015 Qtrly	12/18/2019	1,782	\$3,000,000.00	1.000%	1.076%	\$32,258.59
FHLMC Stepup	USB	3134G5RQ0	12/12/2014	\$2,998,342.90	3/12/2015 Qtrly	12/12/2019	1,776	\$3,000,000.00	1.000%	1.151%	\$34,510.93
FHLMC Stepup	USB	3134G5TK1	1/6/2015	\$2,246,425.53	4/6/2015 Qtrly	1/6/2020	1,801	\$2,250,000.00	1.000%	1.076%	\$24,193.06
FHLB Stepup	USB	3130A3R55	1/7/2015	\$1,998,829.87	4/7/2015 Qtrly	1/7/2020	1,802	\$2,000,000.00	1.000%	1.063%	\$21,247.56
FHLMC Stepup	USB	3134G5WZ7	1/16/2015	\$1,249,999.68	4/16/2015 Qtrly	1/16/2020	1,811	\$1,250,000.00	1.000%	1.050%	\$13,118.70
Market Value				\$20,052,245.76				\$20,063,000.00		1.0870%	\$217,967.91
Interest Income											
Total Market Value											

**City of Hamilton
Liquid & Special Purpose Funds - January 31, 2015**

<i>Liquid Funds</i>		
Star Ohio - General	\$0.00	
Monthly Interest Income	\$0.00	
Star Plus	\$20,051,628.64	
Monthly Interest Income	\$3,402.92	
US Bank Treasury Invest O/N	\$6,953,932.73	
Monthly Interest Income	\$352.59	
First Financial General Operating	\$30,321,773.62	
Monthly Interest Income	\$4,131.37	
Total Liquid Funds		\$57,335,221.87
<i>City of Hamilton, Treasurer's Notes</i>		\$664,634.30
<i>Special Purpose Funds</i>		
First Financial Rate Stabilization	\$8,018,638.83	
First Financial Electric System Reserve	\$4,798,701.26	
Interest Income	\$2,177.19	
Total Liquid Funds		\$12,819,517.28
<i>First Financial Bank</i>		
Certificate of Deposit - General	\$75,000.00	
Total Liquid Funds		\$75,000.00
Total Book Value + Interest Income		\$90,946,619.21

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

LIQUID FUNDS SUMMARY

JANUARY 2015

	STAR OHIO - GENERAL OVERNIGHT FUNDS	STAR PLUS	US BANK TREASURY INVESTMENT LIQUIDITY	FIRST FINANCIAL MARKET LIQUIDITY	TOTAL LIQUID FUNDS
BEGINNING BALANCE JAN. 1, 2015	\$85,659.41	\$20,051,628.64	\$7,080,548.66	\$27,321,761.62	\$54,539,598.33
TRANSFERS IN					
INTEREST INCOME	\$158.68		\$352.59	\$8,000,000.00	\$8,000,158.68
OTHER DEPOSITS	\$3.37	\$3,402.92	\$17,757,336.64	\$4,131.37	\$7,890.25
DEBT PROCEEDS				\$49.00	\$17,757,385.64
					\$0.00
TOTAL INFLOWS	\$162.05	\$3,402.92	\$17,757,689.23	\$8,004,180.37	\$25,765,434.57
TRANSFERS OUT					
OTHER WITHDRAWALS	\$85,821.46		\$17,219,318.27	\$5,000,000.00	\$5,085,821.46
				\$37.00	\$17,219,355.27
TOTAL OUTFLOWS	\$85,821.46	\$0.00	\$17,219,318.27	\$5,000,037.00	\$22,305,176.73
ENDING BALANCE JAN. 31, 2015	\$0.00	\$20,055,031.56	\$7,618,919.62	\$30,325,904.99	\$57,999,856.17

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

SPECIAL PURPOSE FUNDS SUMMARY

JANUARY 2015

	FIRST FINANCIAL GAS RATE STABILIZATION FUND	FIRST FINANCIAL ELECTRIC RATE STABILIZATION FUND	FIRST FINANCIAL WATER RATE STABILIZATION FUND	FIRST FINANCIAL WASTEWATER RATE STABILIZATION FUND	FIRST FINANCIAL ELECTRIC SYSTEM RESERVE FUND	TOTAL SPECIAL PURPOSE FUNDS
BEGINNING BALANCE JAN. 1, 2015	\$2,507,228.54	\$2,105,938.11	\$1,376,600.37	\$2,028,871.81	\$4,798,701.26	\$12,817,340.09
DEPOSITS						\$0.00
TRANSFERS IN						\$0.00
INTEREST INCOME	\$425.89	\$357.72	\$233.83	\$344.63	\$815.12	\$2,177.19
DEBT PROCEEDS						\$0.00
TOTAL INFLOWS	\$425.89	\$357.72	\$233.83	\$344.63	\$815.12	\$2,177.19
TRANSFERS OUT						\$0.00
OTHER WITHDRAWALS						\$0.00
TOTAL OUTFLOWS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ENDING BALANCE JAN. 31, 2015	\$2,507,654.43	\$2,106,295.83	\$1,376,834.20	\$2,029,216.44	\$4,799,516.38	\$12,819,517.28

VIII.

**Fixed Income Benchmarks
January 31, 2015
Comparison to Managed Portfolios**

		Bond Tech, Inc.		
		Treasury Investment	Rate Stabilization	% Change
	Federal Funds Rate	1.087	N/A	0.84
	Star Ohio Yield	1.087	N/A	1.04
	Star Plus	1.087	N/A	0.89
5	2 Year Treasury Note	1.087	N/A	0.62
	1-3 Year Merrill Lynch Agency (YTD)	1.087	N/A	0.61