

MONTHLY REPORT  
OF THE  
INVESTMENT ADVISORY  
COMMITTEE

Prepared by the Department of Finance

SEPTEMBER, 2015

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

September 1, 2015 through September 30, 2015

# INVESTMENT ADVISORY COMMITTEE

SEPTEMBER 2015

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# Monthly Investment Committee Report

September 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 and to convey investment reports monthly.

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% Federal Funds Rate.

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	August Book Value	September Book Value		Variance	Interest Rate %
U.S. Bank Sweep Acct	7,181,798.55	7,781,304.47	*	599,505.92	0.05
First Financial-Gen Oper	27,356,759.60	30,361,420.99		3,004,661.39	0.20
COH Treasurer's Notes	664,634.30	664,634.30		0.00	1.96
STAR Ohio – General	0.00	0.00		0.00	0.10
STAR Plus	20,078,318.61	20,081,616.13		3,297.52	0.20
First Financial Rate Stab.	12,834,416.41	12,836,526.18		2,109.77	0.20
First Financial Bank CD (Benninghofen Trust)	0.00	0.00		0.00	0.35
Bond Tech Managed Portfolio	20,493,232.69	21,494,476.96		1,001,244.27	1.143
Total	88,609,160.16	93,219,979.03		4,610,818.87	

As noted in the table above, the overall portfolio variance for September moved upward \$4,610,818.87 from August as described below.

The **US Bank Sweep Account** ended September 30 with a negative balance of \$21,542,861.23 strictly due to bank error. \* US Bank Institutional Trust & Custody debited an erroneous amount for an investment, adding an extra "0" onto the authorized purchase amount. The error was recognized on September 30 and the Custody Division of the bank notified, but funds were not able to be returned to the US Bank Sweep account until October 1. All funds remained within US Bank. The September value shown in the table above reflects the correct ending bank balance, had the bank error not occurred. Full interest income of \$486.30 for September was given, despite the error.

The **First Financial General Operating** account increased from August to September, as investments were called and moved to the overnight account, earning interest income of \$4,661.39.

The **City of Hamilton's Treasurer's Notes**: Four Treasurer's Notes remain on the books effective September 30, 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 remains at a zero balance as all funds were previously transferred to other institutions providing higher yields.

The **STAR Plus** account continues to provide attractive yields for 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 City received 20 basis points for September, or \$3,297.52 in interest earnings.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity. Funds were transferred from the Star Ohio Rate Stabilization Account to earn the higher rate of return. Interest income for September was \$2,109.77.

The **First Financial Bank CD Portfolio** is \$0.00. The CD matured August 15, 2015 at a rate of 35 basis points. Additional CD's could be purchased if attractive cash equivalent yields become available.

The net decrease in the **Bond Tech Managed Portfolio** of government securities reflects two settled investment purchases during September, three investment calls of \$7,000,000, the net of Treasury Investment Pool premiums and discounts as of September 30, and interest income. Additional investments were purchased in September as attractive securities became available. Those investments are due to settle in October.

## I. INVESTMENT ACTIVITY REPORT

September 2015

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 September.

The federal funds rate continues at 0.00% - 0.25%. The Committee will continue to assess labor market conditions, inflation data and financial developments to determine when an appropriate increase in the federal funds rate is warranted. That decision will depend on the economy's ability to meet the Committee's employment and inflation objectives. The Fed would like to see further labor market improvements and rising inflationary trends toward 2% before a rate hike would be recommended.

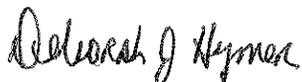
The City's account balance of \$93,219,979.03 consists of the Bond Tech invested portfolio, four Treasurer's Notes, STAR Plus, two First Financial Money Markets, and the US Bank Sweep (See Tables II and III). For September, the Bond Tech General account had a large, unrealized gain in market value compared to book value of \$13,993.14 on the existing securities. This is a fluctuation where the market value of the securities rose above book value as of the last day of the month. Additional securities have been purchased, due to settle in October. The portfolio experienced no realized gain or losses. Total undistributed interest income for these accounts totaled \$22,647.69, including Treasury Investment Pool activity.

One CD matured in August, held by First Financial Bank. When market conditions improve, additional CD opportunities may be an option 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 for the portfolio is \$386,460.38, consisting of realized net gains or losses plus estimated annual interest. It calculates to be 0.41% of investment book value versus the benchmark target of 0.43%. The approximate \$21.0 million Bond Tech book values held yields again in September over one percent, but the \$7,000,000 in calls reduced the overall estimated annual income. Additional securities have been purchased with yields in excess of one percent, thus maximizing 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,

A handwritten signature in black ink that reads "Deborah J. Hymer". The signature is written in a cursive style with a large initial 'D'.

Deborah J. Hymer  
Treasurer

## II. Portfolio Balance Summary - September 30, 2015

### General Accounts -- Book Values

#### Liquid Funds

STAR Ohio - General	\$	-
Star Plus	\$	20,081,616.13
U.S. Bank Treasury Investment	\$	7,781,304.47
First Financial*	\$	29,211,420.99
<b>Total</b>	<b>\$</b>	<b>57,074,341.59</b>

#### Invested Funds

Bond Tech			
U.S. Treasury/Agency	\$	21,494,476.96	
Certificates of Deposit	\$	-	
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
<b>Total</b>	<b>\$</b>	<b>22,159,111.26</b>	

### Total Liquid and Invested Funds

**\$ 79,233,452.85**

### Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u>
			*Held as part of First Financial
<b>Gas Utility (Fund 516)</b>			
Liquid Funds First Financial	\$	2,510,981.57	
Bond Tech U.S. Treasury/Agency		\$	-
Reserve Account (Fund 517)			\$ 200,000.00 *
<b>Electric Utility (Fund 526)</b>			
Liquid Funds First Financial	\$	2,109,090.46	
Bond Tech U.S. Treasury/Agency		\$	-
<b>Electric System Reserve (Fund 527)</b>			
Liquid Funds First Financial	\$	4,805,884.37	
Bond Tech U.S. Treasury/Agency		\$	-
<b>Water Utility (Fund 536)</b>			
Liquid Funds First Financial	\$	1,378,660.98	
Bond Tech U.S. Treasury/Agency		\$	-
Reserve Account (Fund 537)			\$ 200,000.00 *
<b>Waste Water Utility (Fund 546)</b>			
Liquid Funds First Financial	\$	2,031,908.80	
Bond Tech U.S. Treasury/Agency		\$	-
Reserve Account (Fund 547)			\$ 750,000.00 *
<b>Total</b>	<b>\$</b>	<b>12,836,526.18</b>	<b>\$ 1,150,000.00</b>
		<b>\$ -</b>	<b>\$ 13,986,526.18</b>

### Grand Total All Funds

**\$93,219,979.03**

**III. Portfolio Performance Summary  
As of September 30, 2015**

Investment	Book Value		Market Value		Unrealized Gains/Losses		Realized Gains/Losses		Estimated Annual Interest		Estd Annual Total Income		Realized Estimated Annual Income	
Star Ohio General (1)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Star Plus	\$	20,081,616.13	\$	20,081,616.13	\$	-	\$	-	\$	40,163.23	\$	40,163.23	\$	40,163.23
First Financial Rate Stab (2)	\$	8,030,641.81	\$	8,030,641.81	\$	-	\$	-	\$	16,061.28	\$	16,061.28	\$	16,061.28
First Financial Elec Sys Reserve (3)	\$	4,805,884.37	\$	4,805,884.37	\$	-	\$	-	\$	9,611.77	\$	9,611.77	\$	9,611.77
US BK Checking Sweep (1)	\$	7,781,304.47	\$	7,781,304.47	\$	-	\$	-	\$	3,890.65	\$	3,890.65	\$	3,890.65
First Financial General Operating*	\$	30,361,420.99	\$	30,361,420.99	\$	-	\$	-	\$	60,722.84	\$	60,722.84	\$	60,722.84
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)	\$	21,494,476.96	\$	21,508,470.10	\$	13,993.14	\$	-	\$	245,681.87	\$	259,675.01	\$	245,681.87
First Financial CD (1) Benninghofen	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
<b>Total</b>	\$	<b>93,219,979.03</b>	\$	<b>93,233,972.17</b>	\$	<b>13,993.14</b>	\$	<b>-</b>	\$	<b>386,460.48</b>	\$	<b>400,453.62</b>	\$	<b>386,460.48</b>

Realized Annual Income / Book Value =

**0.41%**

Benchmark Rate of Return =

**0.43%**

(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	0.05	0.20	0.20	0.05
FEBRUARY	0.06	0.20	0.20	0.05
MARCH	0.05	0.20	0.20	0.05
APRIL	0.06	0.20	0.20	0.05
MAY	0.05	0.20	0.20	0.05
JUNE	0.07	0.20	0.20	0.05
JULY	0.10	0.20	0.20	0.05
AUGUST	0.10	0.20	0.20	0.05
SEPTEMBER	0.10	0.20	0.20	0.05
OCTOBER				
NOVEMBER				
DECEMBER				

v.

<b>BOND TECH INC.</b> General Operating 2015		
<b>YEAR</b>	<b>YIELD PERCENTAGE</b>	<b>AVG LIFE (Years)</b>
JANUARY	1.087	0.240
FEBRUARY	1.094	0.300
MARCH	1.094	0.150
APRIL	1.095	0.870
MAY	1.077	0.710
JUNE	1.062	0.630
JULY	1.083	0.340
AUGUST	1.088	0.120
SEPTEMBER	1.143	0.140
OCTOBER		
NOVEMBER		
DECEMBER		

<b>BOND TECH INC.</b> Rate Stabilization 2015		
<b>YEAR</b>	<b>YIELD PERCENTAGE</b>	<b>AVG LIFE (Years)</b>
JANUARY	N/A	N/A
FEBRUARY	N/A	N/A
MARCH	N/A	N/A
APRIL	N/A	N/A
MAY	N/A	N/A
JUNE	N/A	N/A
JULY	N/A	N/A
AUGUST	N/A	N/A
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	0	0.35%	General Fund - Benninghofen Trust
<b>Total</b>			<b>0</b>		

VI.

**City of Hamilton General Operating 19-3266  
Bond Tech Inc.  
Managed Investment Portfolio - September 30, 2015**

Fund	Custody	Cusip	Purchase Date	Book Value	Next Call Date/Type	Maturity	DTM	Par Value	Coupon	Yield	Estd Annl Inc
FHLMC Stepup	USB	3134G6SQ7	4/24/2015	\$2,249,613.34	10/24/2015 Qtrly	4/24/2020	1.668	\$2,250,000.00	1.000%	1.030%	\$23,171.02
FHLB Stepup	USB	3130A5M7	5/21/2015	\$2,249,270.82	11/21/2015 Qtrly	5/21/2020	1.695	\$2,250,000.00	1.000%	1.050%	\$23,617.34
FHLMC Stepup	USB	3134G7LJ8	9/30/2015	\$2,998,800.04	12/30/2015	9/30/2020	1.827	\$3,000,000.00	1.000%	1.090%	\$32,686.92
FHLMC Stepup	USB	3134G6E41	5/28/2015	\$1,998,801.91	11/28/2015 Qtrly	5/28/2020	1.702	\$2,000,000.00	1.000%	1.091%	\$21,806.93
FHLMC Stepup	USB	3134G7VE8	9/24/2015	\$2,500,000.00	12/24/15 Qtrly	9/24/2020	1.821	\$2,500,000.00	1.000%	1.050%	\$26,250.00
FHLMC Stepup	USB	3134G7VL2	9/28/2015	\$2,500,000.00	12/28/15 Qtrly	9/28/2020	1.825	\$2,500,000.00	1.000%	1.500%	\$37,500.00
FHLMC Stepup	USB	3134G7BZ3	7/9/2015	\$2,998,823.81	10/9/2015 Qtrly	7/9/2020	1.744	\$3,000,000.00	1.125%	1.175%	\$35,236.18
FHLMC Stepup	USB	3134G7FZ9	7/27/2015	\$1,999,167.04	10/27/2015 Qtrly	7/27/2020	1.762	\$2,000,000.00	1.100%	1.150%	\$22,990.42
FHLMC Stepup	USB	3134G7GA3	7/23/2015	\$2,000,000.00	10/23/2015 Qtrly	7/23/2020	1.758	\$2,000,000.00	1.125%	1.125%	\$22,500.00
<b>Market Value</b>				<b>\$21,494,476.96</b>				<b>\$21,500,000.00</b>		<b>1.1430%</b>	<b>\$245,681.87</b>
<b>Interest Income</b>											
<b>Total Market Value</b>				<b>\$21,508,470.10</b>							

**City of Hamilton  
Liquid & Special Purpose Funds - September 30, 2015**

<u>Liquid Funds</u>		
Star Ohio - General	\$0.00	
Monthly Interest Income	\$0.00	
Star Plus	\$20,078,318.61	
Monthly Interest Income	\$3,297.52	
US Bank Treasury Invest O/N	\$7,780,818.17	
Monthly Interest Income	\$486.30	
First Financial General Operating	\$30,357,596.66	
Monthly Interest Income	\$3,824.33	
<b>Total Liquid Funds</b>		<b>\$58,224,341.59</b>

City of Hamilton Treasurer's Notes \$664,634.30

<u>Special Purpose Funds</u>		
First Financial Rate Stabilization	\$8,029,321.92	
First Financial Electric System Reserve	\$4,805,094.49	
Interest Income	\$2,109.77	
<b>Total Liquid Funds</b>		<b>\$12,836,526.18</b>

<u>First Financial Bank</u>		
Certificate of Deposit - General	\$0.00	
<b>Total Liquid Funds</b>		<b>\$0.00</b>

**Total Book Value + Interest Income** **\$93,219,979.03**

VII.  
CITY OF HAMILTON, OHIO  
INVESTMENT REPORT

LIQUID FUNDS SUMMARY

SEPTEMBER 2015

	STAR OHIO - GENERAL OVERNIGHT FUNDS	STAR PLUS	US BANK TREASURY INVESTMENT OVERNIGHT LIQUIDITY	FIRST FINANCIAL MARKET LIQUIDITY	TOTAL LIQUID FUNDS
BEGINNING BALANCE SEPT 1, 2015	\$0.00	\$20,078,318.61	\$7,846,432.85	\$27,356,759.60	\$55,281,511.06
TRANSFERS IN					
INTEREST INCOME			\$10,557,005.94	\$3,000,000.00	\$13,557,005.94
OTHER DEPOSITS		\$3,297.52	\$486.30	\$4,661.39	\$8,445.21
DEBT PROCEEDS					\$0.00
					\$0.00
TOTAL INFLOWS	\$0.00	\$3,297.52	\$10,557,492.24	\$3,004,661.39	\$13,565,451.15
TRANSFERS OUT					\$0.00
OTHER WITHDRAWALS			\$9,957,986.32		\$9,957,986.32
TOTAL OUTFLOWS	\$0.00	\$0.00	\$9,957,986.32	\$0.00	\$9,957,986.32
ENDING BALANCE SEPT 30, 2015	\$0.00	\$20,081,616.13	\$8,445,938.77	\$30,361,420.99	\$58,888,975.89

VII.

CITY OF HAMILTON, OHIO  
INVESTMENT REPORT

SPECIAL PURPOSE FUNDS SUMMARY

SEPTEMBER 2015

	FIRST FINANCIAL 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 SEPT 1, 2015	\$2,510,568.88	\$2,108,743.81	\$1,378,434.39	\$2,031,574.84	\$4,805,094.49	\$12,834,416.40
DEPOSITS						\$0.00
TRANSFERS IN						\$0.00
INTEREST INCOME	\$412.69	\$346.63	\$226.59	\$333.98	\$789.88	\$2,109.77
DEBT PROCEEDS						\$0.00
TOTAL INFLOWS	\$412.69	\$346.63	\$226.59	\$333.98	\$789.88	\$2,109.77
TRANSFERS OUT						\$0.00
OTHER WITHDRAWALS						\$0.00
TOTAL OUTFLOWS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ENDING BALANCE SEPT 30, 2015	\$2,510,981.57	\$2,109,090.46	\$1,378,660.98	\$2,031,908.80	\$4,805,884.37	\$12,836,526.18

VIII.

**Fixed Income Benchmarks  
September 30, 2015  
Comparison to Managed Portfolios**

	<b>Bond Tech, Inc.</b>		
	Treasury Investment	Rate Stabilization	% Change
Federal Funds Rate	1.143	N/A	0.89
Star Ohio Yield	1.143	N/A	1.04
Star Plus	1.143	N/A	0.94
2 Year Treasury Note	1.143	N/A	0.50