



MONTHLY REPORT
OF THE
INVESTMENT ADVISORY
COMMITTEE

Prepared by the Department of Finance

OCTOBER, 2015

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

October 1, 2015 through October 31, 2015

INVESTMENT ADVISORY COMMITTEE

OCTOBER 2015

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Monthly Investment Committee Report

October 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., and two First Financial Bank Money Market Accounts. The City also has a custodial account with US Bank to settle trades.

Account	September Book Value	October Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	7,781,304.47	3,557,376.97	(4,223,927.50)	0.05
First Financial-Gen Oper	30,361,420.99	35,266,572.24	4,905,151.25	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	0.17
STAR Plus	20,081,616.13	20,085,024.14	3,408.01	0.20
First Financial Rate Stab.	12,836,526.18	12,838,706.63	2,180.45	0.20
Bond Tech Managed Portfolio	21,494,476.96	13,247,223.45	(8,247,253.51)	1.146
Total	93,219,979.03	85,659,537.73	(7,560,441.30)	

As noted in the table above, the overall portfolio variance for October moved downward \$7,560,441.30 from September as described below.

The **US Bank Sweep Account** dropped as a portion of the funds were moved to the First Financial overnight account for a higher yield. Other US Bank funds were used for debt service and insurance premium payments. Interest income was \$338.61 for October.

The **First Financial General Operating** account increased from September to October, as investments were called and moved to the overnight account, earning interest income of \$5,151.25.

The **City of Hamilton's Treasurer's Notes:** Four Treasurer's Notes remain on the books effective October 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 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 October, or \$3,408.01 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 October was \$2,180.45.

The net decrease in the **Bond Tech Managed Portfolio** of government securities reflects one settled investment purchase during October of \$1,000,000, four investment calls of \$9,250,000, the net of Treasury Investment Pool premiums and discounts as of October 31, and interest income.

I. INVESTMENT ACTIVITY REPORT

October 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 October.

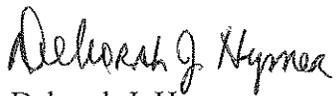
The federal funds rate continues at 0.00% - 0.25%. The Committee will continue to assess labor market conditions, inflation data and financial developments to determine when an appropriate increase in the federal funds rate is warranted. That decision will depend on the economy's ability to meet the 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 \$85,659,537.73 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 October, the Bond Tech General account had a large, unrealized gain in market value compared to book value of \$12,128.87 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. The portfolio experienced a realized gain of \$2,395.81 on the four investment calls. Total undistributed interest income for these accounts totaled \$42,885.37, including Treasury Investment Pool activity.

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 \$302,697.11, consisting of realized net gains or losses plus estimated annual interest. It calculates to be 0.35% of investment book value versus the benchmark target of 0.49%. The approximate \$13.2 million Bond Tech book values provided a yield in October of 1.146 percent, but the \$9,250,000 in calls reduced the overall estimated annual income and the corresponding benchmark rate of return calculation for October. Additional securities are slated for purchase, 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,



Deborah J. Hymer
Treasurer

II. Portfolio Balance Summary - October 31, 2015

General Accounts -- Book Values

Liquid Funds

STAR Ohio - General	\$	-
Star Plus	\$	20,085,024.14
U.S. Bank Treasury Investment	\$	3,557,376.97
First Financial*	\$	34,116,572.24

Total \$ 57,758,973.35

Invested Funds

Bond Tech		
U.S. Treasury/Agency	\$	13,247,223.45

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

Total \$ 13,911,857.75

Total Liquid and Invested Funds

\$ 71,670,831.10

Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u>	
				*Held as part of First Financial
Gas Utility (Fund 516)				
Liquid Funds First Financial	\$	2,511,408.09		
Bond Tech U.S. Treasury/Agency		\$	-	
Reserve Account (Fund 517)			\$	200,000.00 *
Electric Utility (Fund 526)				
Liquid Funds First Financial	\$	2,109,448.72		
Bond Tech U.S. Treasury/Agency		\$	-	
Electric System Reserve (Fund 527)				
Liquid Funds First Financial	\$	4,806,700.71		
Bond Tech U.S. Treasury/Agency		\$	-	
Water Utility (Fund 536)				
Liquid Funds First Financial	\$	1,378,895.16		
Bond Tech U.S. Treasury/Agency		\$	-	
Reserve Account (Fund 537)			\$	200,000.00 *
Waste Water Utility (Fund 546)				
Liquid Funds First Financial	\$	2,032,253.95		
Bond Tech U.S. Treasury/Agency		\$	-	
Reserve Account (Fund 547)			\$	750,000.00 *
Total	\$ 12,838,706.63	\$ -	\$ 1,150,000.00	\$ 13,988,706.63

Grand Total All Funds

\$ 85,659,537.73

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

Investment	Book Value	Market Value	Unrealized Gains/Losses		Realized Gains/Losses	Estimated Annual Interest		Est'd Annual Total Income	Realized Annual Income
						Annual Interest	Annual Interest		
Star Ohio General (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Star Plus	\$ 20,085,024.14	\$ 20,085,024.14	\$ -	\$ -	\$ -	\$ 40,170.05	\$ 40,170.05	\$ 40,170.05	\$ 40,170.05
First Financial Rate Stab (2)	\$ 8,032,005.92	\$ 8,032,005.92	\$ -	\$ -	\$ -	\$ 16,064.01	\$ 16,064.01	\$ 16,064.01	\$ 16,064.01
First Financial Elec Sys Reserve (3)	\$ 4,806,700.71	\$ 4,806,700.71	\$ -	\$ -	\$ -	\$ 9,613.40	\$ 9,613.40	\$ 9,613.40	\$ 9,613.40
US Bk Checking Sweep (1)	\$ 3,557,376.97	\$ 3,557,376.97	\$ -	\$ -	\$ -	\$ 1,778.69	\$ 1,778.69	\$ 1,778.69	\$ 1,778.69
First Financial General Operating*	\$ 35,266,572.24	\$ 35,266,572.24	\$ -	\$ -	\$ -	\$ 70,533.14	\$ 70,533.14	\$ 70,533.14	\$ 70,533.14
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	\$ 594.00
City of Hamilton Treasurer's Note (2)	\$ 192,800.00	\$ 192,800.00	\$ -	\$ -	\$ -	\$ 3,470.40	\$ 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	\$ 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	\$ 2,677.43
B-Tech General Account (1)	\$ 13,247,223.45	\$ 13,259,352.32	\$ 12,128.87	\$ -	\$ 2,395.81	\$ 151,813.18	\$ 166,337.86	\$ 154,208.99	\$ 154,208.99
First Financial CD (1) Benninghofen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 85,659,537.73	\$ 85,671,666.60	\$ 12,128.87	\$ 2,395.81	\$ 300,301.30	\$ 314,825.98	\$ 302,697.11	\$ 302,697.11	\$ 302,697.11

(1) General Accounts

(2) Rate Stabilization

(3) Electric System Reserve

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

Realized Annual Income / Book Value = **0.35%**

Benchmark Rate of Return = **0.49%**

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	0.17	0.20	0.20	0.05
NOVEMBER				
DECEMBER				

v.

BOND TECH INC. General Operating 2015		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
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	1.146	0.140
NOVEMBER		
DECEMBER		

BOND TECH INC. Rate Stabilization 2015		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
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	N/A	N/A
OCTOBER		
NOVEMBER		
DECEMBER		

VI.

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

Fund	Custody	Cusip	Purchase Date	Book Value	Next Call Date/Type	Maturity	DTM	Par Value	Coupon	Yield	Estd Annl Inc
FHLB Stepup	USB	3130A55M7	5/21/2015	\$2,249,370.66	11/21/2015 Qtrly	5/21/2020	1.695	\$2,250,000.00	1.000%	1.050%	\$23,618.39
FHLMC Stepup	USB	3134G7ZU8	9/30/2015	\$2,988,893.62	12/30/2015 Qtrly	9/30/2020	1.827	\$3,000,000.00	1.050%	1.090%	\$32,687.94
FHLMC Stepup	USB	3134G6E41	5/28/2015	\$1,999,959.17	11/28/2015 Qtrly	5/28/2020	1.702	\$2,000,000.00	1.000%	1.091%	\$21,808.64
FHLMC Stepup	USB	3134G7VE8	9/24/2015	\$2,500,000.00	12/24/15 Qtrly	9/24/2020	1.821	\$2,500,000.00	1.050%	1.050%	\$26,250.00
FHLMC Stepup	USB	3134G7U4	10/29/2015	\$1,000,000.00	1/29/16 Qtrly	10/29/2020	1.856	\$2,500,000.00	1.000%	1.000%	\$10,000.00
FHLMC Stepup	USB	3134G7V12	9/28/2015	\$2,500,000.00	12/28/15 Qtrly	9/28/2020	1.825	\$2,500,000.00	1.500%	1.500%	\$37,500.00
Market Value				\$13,247,223.45				\$14,750,000.00		1.1460%	\$151,813.18
Interest Income											
Total Market Value											

VI.

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

<u>Liquid Funds</u>			
Star Ohio - General	\$0.00		
Monthly Interest Income	\$0.00		
Star Plus	\$20,081,616.13		
Monthly Interest Income	\$3,408.01		
US Bank Treasury Invest O/N	\$3,557,038.36		
Monthly Interest Income	\$338.61		
First Financial General Operating	\$35,261,420.99		
Monthly Interest Income	\$5,151.25		
Total Liquid Funds			\$58,908,973.35
<u>City of Hamilton Treasurer's Notes</u>			\$664,634.30
<u>Special Purpose Funds</u>			
First Financial Rate Stabilization	\$8,030,641.81		
First Financial Electric System Reserve	\$4,805,884.37		
Interest Income	\$2,180.45		
Total Liquid Funds			\$12,838,706.63
<u>First Financial Bank</u>			
Certificate of Deposit - General	\$0.00		
Total Liquid Funds			\$0.00
Total Book Value + Interest Income			\$85,659,537.73

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

LIQUID FUNDS SUMMARY

OCTOBER 2015

	STAR OHIO - GENERAL OVERNIGHT FUNDS	STAR PLUS	US BANK TREASURY INVESTMENT LIQUIDITY	FIRST FINANCIAL MARKET LIQUIDITY	TOTAL LIQUID FUNDS
BEGINNING BALANCE OCT. 1, 2015	\$0.00	\$20,081,616.13	\$8,445,938.77	\$30,361,420.99	\$58,888,975.89
TRANSFERS IN			\$10,285,267.61	\$8,900,000.00	\$19,185,267.61
INTEREST INCOME		\$3,408.01	\$338.61	\$5,151.25	\$8,897.87
OTHER DEPOSITS					\$0.00
DEBT PROCEEDS					\$0.00
TOTAL INFLOWS	\$0.00	\$3,408.01	\$10,285,606.22	\$8,905,151.25	\$19,194,165.48
TRANSFERS OUT					\$0.00
OTHER WITHDRAWALS			\$14,509,533.72	\$4,000,000.00	\$18,509,533.72
TOTAL OUTFLOWS	\$0.00	\$0.00	\$14,509,533.72	\$4,000,000.00	\$18,509,533.72
ENDING BALANCE OCT. 31, 2015	\$0.00	\$20,085,024.14	\$4,222,011.27	\$35,266,572.24	\$59,573,607.65

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

SPECIAL PURPOSE FUNDS SUMMARY

OCTOBER 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 OCT. 1, 2015	\$2,510,981.57	\$2,109,090.46	\$1,378,660.98	\$2,031,908.80	\$4,805,884.37	\$12,836,526.17
DEPOSITS						\$0.00
TRANSFERS IN						\$0.00
INTEREST INCOME	\$426.52	\$358.26	\$234.18	\$345.15	\$816.34	\$2,180.45
DEBT PROCEEDS						\$0.00
TOTAL INFLOWS	\$426.52	\$358.26	\$234.18	\$345.15	\$816.34	\$2,180.45
TRANSFERS OUT						\$0.00
OTHER WITHDRAWALS						\$0.00
TOTAL OUTFLOWS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ENDING BALANCE OCT. 31, 2015	\$2,511,408.09	\$2,109,448.74	\$1,378,895.16	\$2,032,253.93	\$4,806,700.71	\$12,838,706.63

Fixed Income Benchmarks
October 31, 2015
Comparison to Managed Portfolios

	Bond Tech, Inc.		
	Treasury Investment	Rate Stabilization	% Change
Federal Funds Rate	1.146	N/A	0.90
Star Ohio Yield	1.146	N/A	0.98
Star Plus	1.146	N/A	0.95
2 Year Treasury Note	1.146	N/A	0.40