



MONTHLY REPORT
OF THE
INVESTMENT ADVISORY
COMMITTEE

Prepared by the Department of Finance

DECEMBER, 2015

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

December 1, 2015 through December 31, 2015

INVESTMENT ADVISORY COMMITTEE

DECEMBER 2015

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Monthly Investment Committee Report

December 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 and Star Plus yield at month-end; 25% Federal Funds Rate.

The City has a checking and 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	November Book Value	December Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	5,281,067.52	5,528,964.90	247,897.38	0.05
First Financial-Gen Oper	37,272,039.68	32,280,624.36	(4,991,415.32)	0.40
COH Treasurer's Notes	664,634.30	275,300.00	(389,334.30)	1.53
STAR Ohio – General	0.00	0.00	0.00	0.24
STAR Plus	20,088,487.53	20,092,067.00	3,579.47	0.21
First Financial Rate Stab.	12,840,817.10	13,144,372.57	303,555.47	0.40
Bond Tech Managed Portfolio	9,998,504.13	9,998,643.89	139.76	1.17
Total	86,145,550.26	81,319,972.72	(4,825,577.54)	

As noted in the table above, the overall portfolio variance for December decreased \$4,825,577.54 from November as described below.

The **US Bank Sweep Account** remained almost unchanged, with only a slight increase from November's ending balance. Interest income was \$203.60 for the month as the sweep account did not increase yield following the federal funds hike.

The **First Financial General Operating** account decreased from November to December, as funds were transferred to US bank in anticipation of year-end payments. Over \$7,000,000.00 in payables cleared the US Bank in December, including Construction vendors, Health Plan payments for November and December, Utility and Energy payables, and a CORE expense. Interest income increased to 40 basis points, up 50% from November, earning interest income of \$8,572.68.

The City of Hamilton's Treasurer's Notes: Four Treasurer's Notes were on the books as of December 1, 2015. Two notes remain on the books effective December 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 was paid in full as of December 31, 2015. A second Treasurer's Note of \$1,000,000.00 was sold to construct various 2010 special assessment projects. This note was also paid in full as of December 31, 2015. 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. A payment of \$85,000 was made in December. The note balance is \$85,000.00. 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. A payment of \$95,150 was made in December. The note balance is \$190,300.00.

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 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 Star Plus fund will become exhausted effective January, 2016 as the funds will be used for higher-yield investments. The City received 21 basis points for December, or \$3,579.47 in interest earnings.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity for the utility indenture funds. There were two P & I Treasury Note repayments to the Water and Electric Rate Stabilization funds of \$300,258.49 made in December. Interest income for December was \$3,296.98.

The slight increase in the **Bond Tech Managed Portfolio** of government securities reflects no settled investment purchases, no investment calls, the net of Treasury Investment Pool premiums and discounts as of December 31, and interest income.

I. INVESTMENT ACTIVITY REPORT

December 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 held the last regularly scheduled meeting December 16, 2015.

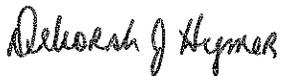
During the meeting, the Committee determined that the overall economy was expanding at a moderate pace. Several factors supported this discussion, including increased household spending and business investments, improved housing activity, job gains, and low inflation. Given the positive economic outlook, the Committee, unanimously raised the target rate to .50%. Future rate adjustments will depend on the realized and expected economic conditions, including labor, inflation, and financial developments both on the home front and abroad.

The City's account balance of \$81,319,972.72 consists of the Bond Tech invested portfolio, two Treasurer's Notes, STAR Plus, two First Financial Money Markets, and the US Bank Sweep (See Tables II and III). For December, the Bond Tech General account had an unrealized loss in market value compared to book value of \$2,763.91 on the existing securities. This is a fluctuation where the market value of the securities fell below book value at the time of reporting. The portfolio experienced no realized gain or loss as no investments were called or purchased. Total undistributed interest income for these accounts totaled \$12,355.75, 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 \$347,243.29, consisting of realized net gains or losses plus estimated annual interest. It calculates to be 0.43% of investment book value versus the benchmark target of 0.70%. The large spread between the realized annual income percent and the benchmark calculation occurred in December as a result of timing where the Fed raised the federal funds rate mid-month and were immediately reflected in the benchmarks. A large portion of the portfolio, of course, would not reflect the higher yield immediately as the security yields were put into play months prior and some of the bank yields remained unchanged despite the Fed hike. The approximate \$1.0 million Bond Tech book values provided a yield in December of 1.17 percent. Additional authorizations were given to invest a portion of the idle funds, but no purchases were made at the time of publication. However, a major change is set for the New Year which will lend to much greater realized annual incomes for the City. 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 - December 31, 2015

General Accounts -- Book Values

Liquid Funds

STAR Ohio - General	\$	-
Star Plus	\$	20,092,067.00
U.S. Bank Treasury Investment	\$	5,528,964.90
First Financial*	\$	31,130,624.36
Total	\$	56,751,656.26

Invested Funds

Bond Tech			
U.S. Treasury/Agency	\$	9,998,643.89	
Certificates of Deposit	\$	-	
U.S. Treasury/Agency	\$	-	
Money Market Fund	\$	-	
COH Treasurer's Note	*	\$	-
COH Treasurer's Note	*	\$	-
COH Treasurer's Note	*	\$	-
COH Treasurer's Note	*	\$	85,000.00
COH Treasurer's Note	*	\$	190,300.00
Total		\$	10,273,943.89

Total Liquid and Invested Funds

\$ 67,025,600.15

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	\$ 2,512,451.11		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 517)			\$ 200,000.00 *
Electric Utility (Fund 526)			
Liquid Funds First Financial	\$ 4,011,113.91		
Bond Tech U.S. Treasury/Agency		\$ -	
Electric System Reserve (Fund 527)			
Liquid Funds First Financial	\$ 3,005,794.24		
Bond Tech U.S. Treasury/Agency		\$ -	
Water Utility (Fund 536)			
Liquid Funds First Financial	\$ 1,581,915.33		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 537)			\$ 200,000.00 *
Waste Water Utility (Fund 546)			
Liquid Funds First Financial	\$ 2,033,097.98		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 547)			\$ 750,000.00 *
Total	\$ 13,144,372.57	\$ -	\$ 1,150,000.00
			\$ 14,294,372.57

Grand Total All Funds

\$ 81,319,972.72

III. Portfolio Performance Summary
As of December 31, 2015

Investment	Book Value	Market Value	Realized		Estimated Annual Interest	Estd Annual Total Income	Realized Annual Income	Realized Estimated Annual Income
			Gains/Losses	Unrealized Gains/Losses				
Star Ohio General (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Star Plus	\$ 20,092,067.00	\$ 20,092,067.00	\$ -	\$ -	\$ 42,193.34	\$ 42,193.34	\$ 42,193.34	\$ 42,193.34
First Financial Rate Stab (2)	\$ 10,138,578.33	\$ 10,138,578.33	\$ -	\$ -	\$ 40,554.31	\$ 40,554.31	\$ 40,554.31	\$ 40,554.31
First Financial Elec Sys Reserve (3)	\$ 3,005,794.24	\$ 3,005,794.24	\$ -	\$ -	\$ 12,023.18	\$ 12,023.18	\$ 12,023.18	\$ 12,023.18
US Bk Checking Sweep (1)	\$ 5,528,964.90	\$ 5,528,964.90	\$ -	\$ -	\$ 2,764.48	\$ 2,764.48	\$ 2,764.48	\$ 2,764.48
First Financial General Operating*	\$ 32,280,624.36	\$ 32,280,624.36	\$ -	\$ -	\$ 129,122.50	\$ 129,122.50	\$ 129,122.50	\$ 129,122.50
City of Hamilton Treasurer's Note (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Hamilton Treasurer's Note (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Hamilton Treasurer's Note (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Hamilton Treasurer's Note (1)	\$ 85,000.00	\$ 85,000.00	\$ -	\$ -	\$ 1,793.50	\$ 1,793.50	\$ 1,793.50	\$ 1,793.50
City of Hamilton Treasurer's Note (3)	\$ 190,300.00	\$ 190,300.00	\$ -	\$ -	\$ 1,807.85	\$ 1,807.85	\$ 1,807.85	\$ 1,807.85
B-Tech General Account (1)	\$ 9,998,643.89	\$ 9,995,879.98	\$ (2,763.91)	\$ -	\$ 116,984.13	\$ 114,220.22	\$ 116,984.13	\$ 116,984.13
First Financial CD (1) Benninghofen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 81,319,972.72	\$ 81,317,208.81	\$ (2,763.91)	\$ -	\$ 347,243.29	\$ 344,479.38	\$ 347,243.29	\$ 347,243.29

(1) General Accounts

(2) Rate Stabilization

(3) Electric System Reserve

Realized Annual Income / Book Value =

0.43%

Benchmark Rate of Return =

0.70%

*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	0.09	0.20	0.20	0.05
AUGUST	0.11	0.20	0.20	0.05
SEPTEMBER	0.13	0.20	0.20	0.05
OCTOBER	0.16	0.20	0.20	0.05
NOVEMBER	0.18	0.20	0.20	0.05
DECEMBER	0.24	0.21	0.40	0.05

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	1.170	0.170
DECEMBER	1.170	0.360

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	N/A	N/A
NOVEMBER	N/A	N/A
DECEMBER	N/A	N/A

VI.

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

Bond Tech. General Operating 19-3266	Fund	Custody	Cusip	Purchase Date	Book Value	Next Call Date/Type	Maturity	DTM	Par Value	Coupon	Yield	Estd Annl Inc
	FHLMC Stepup	USB	3134G7ZU8	9/30/2015	\$2,999,088.15	3/30/2016 Qtrly	9/30/2020	1.735	\$3,000,000.00	1.050%	1.090%	\$32,690.06
	FHLMC Stepup	USB	3134G7VE8	9/24/2015	\$2,500,000.00	3/24/16 Qtrly	9/24/2020	1.729	\$2,500,000.00	1.050%	1.050%	\$26,250.00
	FHLMC Stepup	USB	3134G7ZU4	10/29/2015	\$1,000,000.00	1/29/16 Qtrly	10/29/2020	1.764	\$1,000,000.00	1.000%	1.000%	\$10,000.00
	FHLMC Stepup	USB	3134G7VL2	9/28/2015	\$2,500,000.00	3/28/16 Qtrly	9/28/2020	1.733	\$2,500,000.00	1.500%	1.500%	\$37,500.00
	FHLMC Stepup	USB	3134G73H2	11/19/2015	\$999,555.74	2/19/16 Qtrly	11/19/2020	1.785	\$1,000,000.00	1.000%	1.050%	\$10,495.34
	Market Value				\$9,995,879.98				\$10,000,000.00		1.1700%	\$116,984.13
	Interest Income				\$0.00							
	Total Market Value				\$9,995,879.98							

VI.

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

<i>Liquid Funds</i>		
Star Ohio - General Monthly Interest Income	\$0.00 \$0.00	
Star Plus Monthly Interest Income	\$20,088,487.53 \$3,579.47	
US Bank Treasury Invest O/N Monthly Interest Income	\$5,528,761.30 \$203.60	
First Financial General Operating Monthly Interest Income	\$32,272,051.68 \$8,572.68	
Total Liquid Funds		\$57,901,656.26
<i>City of Hamilton Treasurer's Notes</i>		\$275,300.00
<i>Special Purpose Funds</i>		
First Financial Rate Stabilization First Financial Electric System Reserve Interest Income	\$10,136,035.29 \$3,005,040.30 \$3,296.98	
Total Liquid Funds		\$13,144,372.57
<i>First Financial Bank</i> Certificate of Deposit - General	\$0.00	
Total Liquid Funds		\$0.00
Total Book Value + Interest Income		\$81,319,972.72

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

LIQUID FUNDS SUMMARY

DECEMBER 2015

	STAR OHIO - GENERAL OVERNIGHT FUNDS	STAR PLUS	US BANK TREASURY INVESTMENT OVERNIGHT LIQUIDITY	FIRST FINANCIAL MARKET LIQUIDITY	TOTAL LIQUID FUNDS
BEGINNING BALANCE DEC. 1, 2015	\$0.00	\$20,088,487.53	\$5,945,701.82	\$37,272,051.68	\$63,306,241.03
TRANSFERS IN			\$10,630,108.81		\$10,630,108.81
INTEREST INCOME			\$203.60		\$12,355.75
OTHER DEPOSITS		\$3,579.47		\$8,572.68	\$0.00
DEBT PROCEEDS					\$0.00
TOTAL INFLOWS	\$0.00	\$3,579.47	\$10,630,312.41	\$8,572.68	\$10,642,464.56
TRANSFERS OUT					\$0.00
OTHER WITHDRAWALS			\$10,771,749.33	\$5,000,000.00	\$15,771,749.33
TOTAL OUTFLOWS	\$0.00	\$0.00	\$10,771,749.33	\$5,000,000.00	\$15,771,749.33
ENDING BALANCE DEC. 31, 2015	\$0.00	\$20,092,067.00	\$5,804,264.90	\$32,280,624.36	\$58,176,956.26

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

SPECIAL PURPOSE FUNDS SUMMARY

DECEMBER 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 DEC. 1, 2015	\$2,511,820.92	\$4,010,107.85	\$1,379,121.83	\$2,032,587.98	\$2,907,178.52	\$12,840,817.10
DEPOSITS						\$0.00
TRANSFERS IN			\$202,396.71		\$97,861.78	\$300,258.49
INTEREST INCOME	\$630.19	\$1,006.10	\$396.79	\$509.96	\$753.94	\$3,296.98
DEBT PROCEEDS						\$0.00
TOTAL INFLOWS	\$630.19	\$1,006.10	\$202,793.50	\$509.96	\$98,615.72	\$303,555.47
TRANSFERS OUT						\$0.00
OTHER WITHDRAWALS						\$0.00
TOTAL OUTFLOWS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ENDING BALANCE DEC. 31, 2015	\$2,512,451.11	\$4,011,113.97	\$1,581,915.33	\$2,033,097.92	\$3,005,794.24	\$13,144,372.57

VIII.

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

	Bond Tech, Inc.		
	Treasury Investment	Rate Stabilization	% Change
Federal Funds Rate	1.170	N/A	0.67
Star Ohio	1.170	N/A	0.93
Star Plus	1.170	N/A	0.96
2 Year Treasury Note	1.170	N/A	0.11