



Investment Tips & Techniques

Local Government Officials Conference
April 13, 2017

Presented by

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AGENDA

- Cash vs. Core Portfolio
- Bank Fees vs. Balances
- Commercial Paper
- Step-up Bonds
- Municipal Securities
- Brokered CDs
- Collateralization of Public Deposits
- The Fed & Interest Rate Outlook



Cash vs. Core

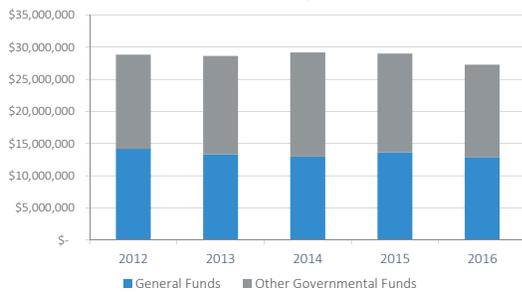


CASH VS. CORE

- Cash Management - "Cash" Portfolio
 - Operating needs for current year
 - Funds with uncertain time horizon
- Investment Management - "Core" Portfolio
 - Time horizon greater than one year
 - Apply investment strategy to maximize earnings

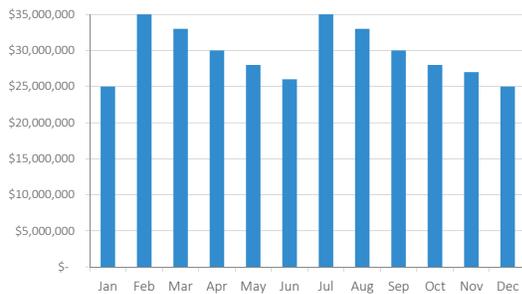
CASH VS. CORE

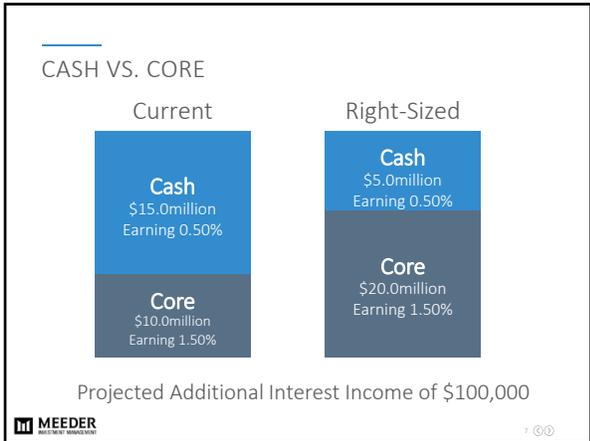
Year-end Balances per CAFR

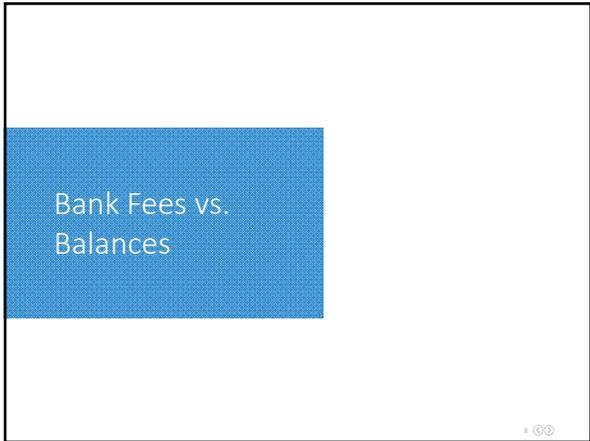


CASH VS. CORE

Month-end Balances







BANK ACCOUNT ANALYSIS STATEMENT

Local Bank	
Average Ledger Balance	\$24,536,865.97
Less Average Float	\$0.00
Average Collected Balance	\$24,536,865.97
Less Reserve Requirement	\$2,453,686.60
Average Available Balance	\$22,083,179.37

BANK ACCOUNT ANALYSIS STATEMENT

Local Bank

Cost of Services	Volume	Unit Price	Total Cost
Account maintenance	5	41.80	209.00
Image statement	5	10.00	50.00
Checks paid	2,500	0.19	475.00
ACH credits received	200	0.14	28.00
Analysis maintenance fee	1	29.90	29.90
Total Charge for Services			\$791.90



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BANK ACCOUNT ANALYSIS STATEMENT

Local Bank

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Less Average Float		\$0.00
Average Collected Balance		\$24,536,865.97
Less Reserve Requirement		\$2,453,686.60
Average Available Balance		\$22,083,179.37
Earnings Credit Allowance	0.25%	\$5,111.85
Total Charge for Services		\$791.90
Net Charge for Services		\$0



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BENEFITS OF REDUCING BANK BALANCES

Existing Reduced Balances

	Existing	Reduced Balances
Average Ledger Balance	\$24,536,865.97	\$4,536,864.97
Earnings Credit Allowance (0.25%)	\$5,111.85	\$945.18
Total Charge for Services	(\$791.90)	(\$791.90)
Alternative Investment Earning (0.86% annually)	\$0	\$14,333.33

INCREASED INTEREST INCOME OF \$172,000 PER YEAR BASED ON INVESTING THE \$20.0 MILLION TO YIELD 0.86%



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Commercial Paper

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COMMERCIAL PAPER

OHIO REVISED CODE 135.14

7) Up to forty per cent of interim moneys available for investment in either of the following:

- (a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:
 - (i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.
 - (ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.
 - (iii) The notes mature not later than two hundred seventy days after purchase.
 - (iv) The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five per cent of interim moneys available for investment at the time of purchase.
- (b) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than one hundred eighty days after purchase.

No investment shall be made pursuant to division (B)(7) of this section unless the treasurer or governing board has completed additional training for making the investments authorized by division (B)(7) of this section. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state.

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COMMERCIAL PAPER

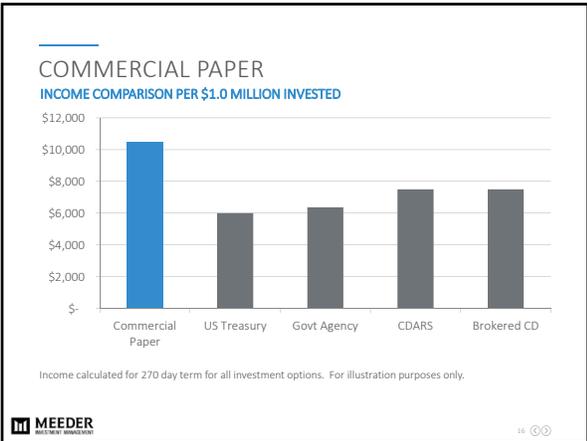
RATE COMPARISON

Instrument	Rate
Commercial Paper	~1.45%
US Treasury	~0.80%
Govt Agency	~0.85%
CDARS	~1.00%
Brokered CD	~1.00%

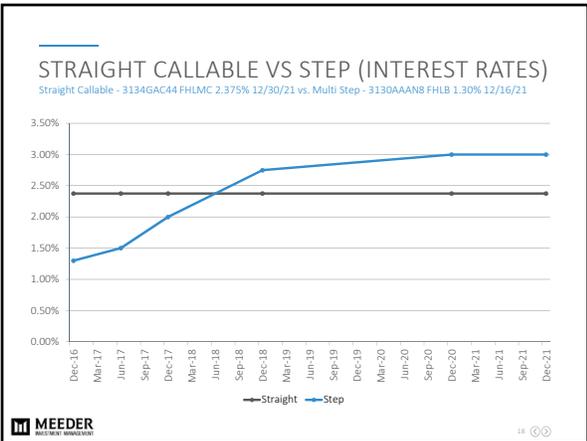
Commercial Paper rates for 270 days. Rates on all other securities for 1 year maturity. Rates as of 2/28/17. For illustration purposes only.

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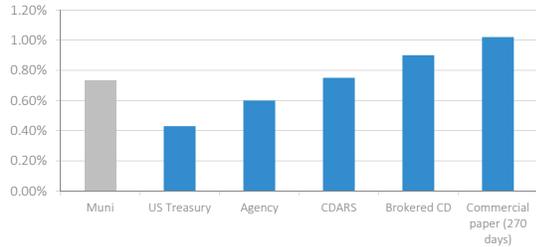




MUNICIPAL SECURITIES: TAX-EXEMPT ISSUE

City of Avon Water System Revenue Bonds 1.25% 2/2/17 priced 1/20/16 to yield 0.73%

Rate Comparison



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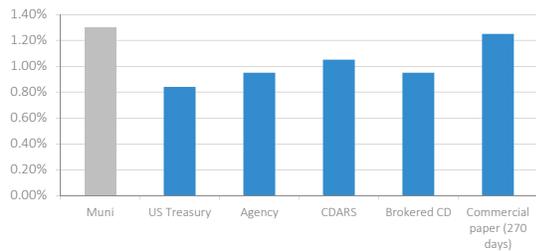
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MUNICIPAL SECURITIES: TAXABLE ISSUE

Lake County Community College District, OH Facilities Bonds, 2.00% 12/1/17

Priced 1/27/16 to yield 1.30%

Rate Comparison



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MUNICIPAL SECURITIES

Credit Risk



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Brokered CDs

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CERTIFICATES OF DEPOSIT

135.144 Investment of interim moneys in federally insured certificates of deposit

(A) In addition to the authority provided in section 135.14 or 135.143 of the Revised Code, the treasurer or state or the treasurer or governing board of a political subdivision may invest interim moneys in certificates of deposit in accordance with all of the following:

- (1) The interim moneys initially are deposited with an eligible public depository described in section 135.03 of the Revised Code and selected, pursuant to section 135.12 of the Revised Code, by the treasurer or state or the treasurer or governing board of a political subdivision, for interim moneys of the state or of the political subdivision.
- (2) For the treasurer or state or the treasurer or governing board of the political subdivision depositing the interim moneys pursuant to division (A)(1) of this section, the eligible public depository selected pursuant to that division invests the interim moneys in certificates of deposit of one or more federally insured banks, savings banks, or savings and loan associations, wherever located. The full amount of principal and any accrued interest of each certificate of deposit invested in pursuant to division (A)(2) of this section shall be insured by federal deposit insurance.
- (3) For the treasurer or state or the treasurer or governing board of the political subdivision depositing the interim moneys pursuant to division (A)(1) of this section, the eligible public depository selected pursuant to that division acts as custodian of the certificates of deposit described in division (A)(2) of this section.
- (4) On the same date the public moneys are redeposited by the public depository, the public depository may, in its sole discretion, choose whether to receive deposits, in any amount, from other banks, savings banks, or savings and loan associations.
- (5) The public depository provides to the treasurer or state or the treasurer or governing board of a political subdivision a monthly account statement that includes the amount of its funds deposited and held at each bank, savings bank, or savings and loan association for which the public depository acts as a custodian pursuant to this section.
- (B) Interim moneys deposited or invested in accordance with division (A) of this section are not subject to any pledging requirements described in section 135.18 , 135.181, or 135.182 of the Revised Code.

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CERTIFICATES OF DEPOSIT

CDs bought at \$250,000

Account carried with National Financial Services LLC, Member NYSE, SIPC

Account Name	Product	Rate	Term	Balance	Interest	Total	Unsettled
CD #1	1 Year	4.00%	12/31/20 </td <td>\$250,000</td> <td>\$10,000</td> <td>\$260,000</td> <td>\$0</td>	\$250,000	\$10,000	\$260,000	\$0
CD #2	1 Year	4.00%	12/31/20	\$250,000	\$10,000	\$260,000	\$0
CD #3	1 Year	4.00%	12/31/20	\$250,000	\$10,000	\$260,000	\$0
Total				\$750,000	\$30,000	\$780,000	\$0

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CERTIFICATES OF DEPOSIT

2014 Ohio Compliance Supplement

Indirect Laws & Statutorily Mandated Tests

- Any CD's purchased by a broker must be held in the name of the government. Also, the broker cannot be in possession of cash at any time. If we believe a broker has held cash for any length of time, AOS auditors should refer the matter to the Center for Audit Excellence and AOS Legal division for further evaluation. A way to verify compliance is to request monthly statements provided by the public depository located in Ohio. Ohio Rev. Code §135.144(A)(5) requires the initial public depository to provide public offices with a monthly account statement that includes the amount of its funds deposited and held at each bank, savings bank, or savings and loan association for which the public depository acts as a custodian pursuant to Ohio Rev. Code §135.144. If a public office does not have these statements, it may indicate that the money is being held by a broker-dealer in violation of Ohio Rev. Code §135.144.

Collateralization of Public Deposits

COLLATERALIZATION OF PUBLIC DEPOSITS

Ohio Revised Code 135.18 and 135.181

- Market value of collateral equal to or greater than 105% of uninsured public deposit
- Methods of collateralization
 - Specific
 - Pooled
- Quarterly reporting of collateral to public depositor

OHIO POOLED COLLATERAL PROGRAM

Ohio Revised Code 135.182

- House Bill 64, House Bill 340 and House Bill 374
- Effective July 1, 2017
- Lien perfection required
- Bank must select one method of collateralization for all public depositors
- Ohio Pooled Collateral System (OPCS)
 - Treasurer of State sole regulator and monitor of program
 - Market value of collateral equal to or greater than
 - 102% of uninsured public deposits , or
 - Amount determined by rules adopted by Treasurer of State
 - Website access for reporting of collateral to public depositor

FED POLICY & INTEREST RATE OUTLOOK



FOMC STATEMENT HIGHLIGHTS

March 15, 2017



THE FOMC HIKE THE FED FUNDS TARGET RANGE BY 25 BASIS POINTS TO 0.75% TO 1.00%

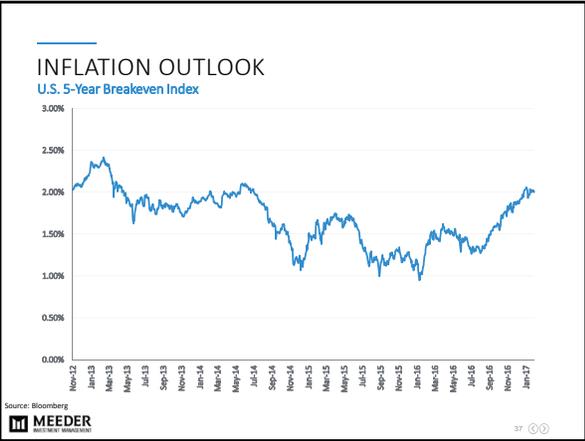
YELLEN EMPHASIZED, "WAITING TOO LONG COULD LEAD TO FASTER HIKE LATER ON"

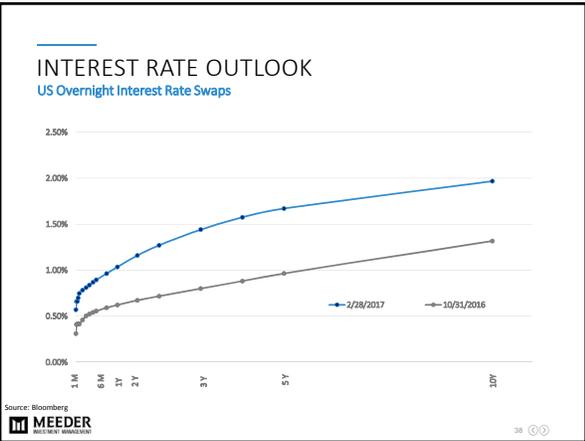
STATEMENT HIGHLIGHTED "RELATIVELY STEADY LABOR-FORCE PARTICIPATION RATE IS SIGN OF IMPROVEMENT IN LABOR MARKET"

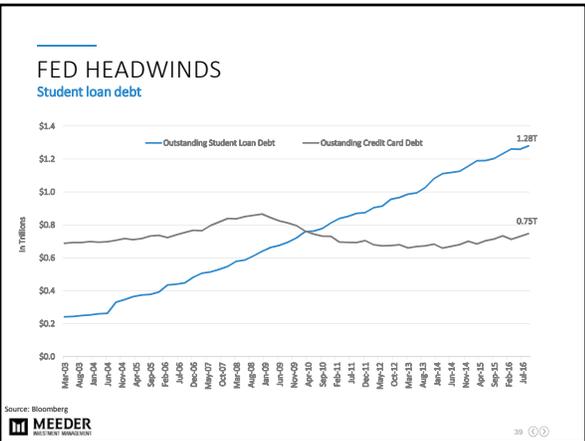
FOMC PARTICIPANTS EXPECT TO RAISE RATES TWO MORE TIMES IN 2017

EXPECTS INFLATION TO STABILIZE AROUND 2.0% IN COMING YEARS AND FOR MODERATE GROWTH PACE TO CONTINUE

LABOR MARKET CONDITIONS, INDICATORS OF INFLATION PRESSURES (WAGE GROWTH), AND INTERNATIONAL DEVELOPMENTS WILL BE MONITORED FOR FUTURE RATE HIKE DECISIONS

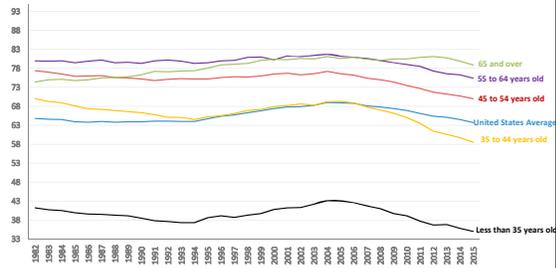






HOME OWNERSHIP

Ownership rate (%) by age of householder



Source: US Census Bureau
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THANK YOU



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