

TO: Members of City of Dubuque Investment Oversight Advisory Commission

FROM: Steve Reisdorf, Investment Oversight Advisory Commission
Jean Nachtman, Finance Director

RE: Un-approved Minutes of the October 26, 2016, Meeting of the Investment Oversight Advisory Commission and Chairman's Quarterly Report

DATE: October 26, 2016

Commission members; Rachel Ferrero; Steve Reisdorf; and Gary Ruden; and City staff, Jean Nachtman, Finance Director and Arielle Swift, Accountant were present.

1. The meeting was called to order at 3:10 p.m. in Conference Room A in City Hall by Acting Chairperson Steve Reisdorf. Finance Director Jean Nachtman, certified that the meeting was in compliance with the Iowa open meetings law.
2. The oath of office was administered to reappointed commission member Gary Ruden.
3. Gary Ruden moved that the minutes of the April 27, 2016 meeting be approved. The motion was seconded by Rachael Ferrero and approved unanimously.
4. Matthew Slowinski, Vice President, Portfolio Manager, and Dave Mazza Vice President – Director of Fixed Income Sales and Marketing presented for Dana Investment Advisors.

Matthew reviewed the status of the City's portfolio. The portfolio is position to react well to interest rate changes. The focus is on the adjustable rate sector. The portfolio contains only highest rate Aaa, agency back securities. The effect duration is 0.53. Anything below one is considered extremely conservative. In the first 9 months of 2016, the portfolio has experienced a \$52,000 gain. Year to date performance net of fees is 0.67%, with a 3 year average of 0.59% and since inception rate of 4.22%. All three measures exceed the benchmark of the 3 month treasury and the 1 year treasury.

Dana expects the Federal Reserve to raise interest rates in their December meeting. Inflation, excluding food and energy (core CPI 2.2%) is above the Fed's 2% target. The anticipation is that it will be in the 0.25% range. The assumption is that the Fed will follow last year and not adjust rates again for six to nine months to allow markets to adjust to increase.

US economy is strong. Post recession GDP has averaged only 2.09%. Third quarter GDP is estimated to have grown 2.2%. The country is considered at full employment when unemployment is between 4.5% and 5%. Current unemployment numbers is 4.9%. Housing starts have been slower to recover, but fundamental demand will drive them steadily higher. New single family home sales are picking up on a national level. Corporate balance sheets are still flush with cash. There is uncertainty in the business world where best to deploy cash. Elections and possible tax policy changes, especially for funds deposited over sea, is adding to that uncertainty.

Matthew Slowinski confirmed that Dana Investment Advisors is in compliance with the City's current investment policy.

5. Jean reported that the City has not yet received a response on investment policy submitted for recertification to the Association of Public Treasurers of the United States and Canada.
6. The Commission reviewed the September 2016 quarterly investment reports.
7. Jean stated that \$1,040,000 was withdrawn from the managed accounts. \$330,000 from Dana, US Bank, and DB&T. \$50,000 was drawn from FCT. The draw request was based on available cash balance with each of the managers.
8. There was no communication from the public, commission or staff to report.
9. The next meeting of the Commission is scheduled for Wednesday, January 25, 2017, at 3:00 p.m. A representative from Dubuque Bank & Trust will be invited to the meeting.
10. Gary Ruden moved that the meeting adjourn. The motion was seconded by Rachel Ferrero, and approved unanimously. The meeting adjourned at 3:50 p.m.