

TO: Members of City of Dubuque Investment Oversight Advisory Commission

FROM: Paul Lassance, Investment Oversight Advisory Commission
Jean Nachtman, Finance Director

RE: Un-approved Minutes of the April 26, 2017, Meeting of the Investment Oversight Advisory Commission and Chairman's Quarterly Report

DATE: April 26, 2017

Commission members; Rachel Ferrero; Paul Lassance; Steve Reisdorf; Gary Ruden and Franz Becker; and City staff, Jean Nachtman, Finance Director; Tami Lansing, Assistant Finance Director and Arielle Swift, Accountant.

1. The meeting was called to order at 3:01 p.m. in Conference Room A in City Hall by Chairperson Paul Lassance. 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 newly appointed commission member Franz Becker.
3. Gary Ruden moved that the minutes of the January 25, 2017, meeting be approved. The motion was seconded by Rachel Ferrero and approved unanimously.
4. Mike Maloney, Senior Portfolio Manager, and Craig Dana, Vice President & Relationship Manager presented for US Bank.

Mike reviewed the status of the City's portfolio and noted that the City's performance for the 1st quarter of 2017 was at 1.40%, with a projected annual income of \$96,309. Current yield to maturity is at 1.69%. Cash represents only 2% of the portfolio. The remaining 98% portfolio is made up of 20 government backed agencies, and 5 certificates of deposits (CDs are at or below the \$250,000 FDIC insurance threshold and are invested in Iowa banks). Mike noted that 18% of the portfolio is coming due this year and he plans on investing it out 3-4 years to take advantage of the increasing interest rates. He intends to keep the overall portfolio duration within 2.5 years range.

The outlook is continued slow U.S. economy growth at about 2%. Expectation is that the Federal Reserve will increase interest rates two more times this year. He expects the economy to stay robust depending on what comes out of the Trump administration tax reforms and anticipated increase in the equity market, should

increase returns in the fixed market. Any potential benefits of new fiscal policies will not likely be noticed until 2018. There is a tight labor market that should lead to wage growth. Inflation pressures could arise next year with higher demand prospects coupled with recent oil price gains. Mike's opinion is that the Fed is hoping for a little inflation to take the pressure off the monetary authority. The market has been stable and resilient even through the last Fed rate increases. There has been a slowing of called bonds. Bonds cannot be reborrowed at a lower rate. There is also a material decrease in mortgage pay offs.

Craig Dana noted that US Bank does offer custodial services that would be included in their current management fees. They cannot discount management fees for not using the custodial service. The City's investment policy stipulates that the custodian cannot also be a manager.

5. Jean reported on current cash standings. With increased interest from local banks, excess funds will begin to shift out the DB&T Money Market account into a laddered CD approach. Finance is currently investigating the possibility returning funds drawn from the managed accounts in 2016. An analysis is being completed of the cash flow needs during summer construction. A decision will be made on the allocation of funds back to the managers, if cash availability supports the return.
6. The Commission reviewed the March 2017 quarterly investment reports.
7. Paul Lassance and Steve Reisdorf were both contacted by the Telegraph Herald to comment on the City's current debt load. An article regarding the City's debt and spending was published in the March 26, 2017 edition of the Telegraph Herald.
8. The next meeting of the Commission is scheduled for Wednesday, July 26, 2017 at 3:00 p.m. A representative from First Community Trust will be invited to the meeting.
9. Steven Reisdorf moved that the meeting adjourn. The motion was seconded by Rachel Ferrero, and approved unanimously. The meeting adjourned at 3:40 p.m.