

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 January 24, 2018, Meeting of the Investment
Oversight Advisory Commission and Chairman's Quarterly Report

DATE: January 24, 2018

Commission members; Paul Lassance; Rachael Ferraro and Gary Ruden and City staff, Jean Nachtman, Finance Director; Tami Lansing, Assistant Finance Director; Arielle Swift, Accountant. Byron Nesler-Perez, a student from the University of Dubuque was also present.

1. The meeting was called to order at 3:00 p.m. in Conference Room A in City Hall by Chairperson Paul Lassance. Assistant Finance Director Tami Lansing, certified that the meeting was in compliance with the Iowa open meetings law.
2. Gary Ruden moved that the minutes of the October 25, 2017, meeting be approved. The motion was seconded by Rachael Ferraro and approved unanimously.
3. Tom Peckosh, Vice President – Senior Equity Manager presented for Dubuque Bank & Trust. Ross Milne, Associate Portfolio Manager was also in attendance. The portfolio is actively managed by Paul Dickson in the Albuquerque, NM. Tom Sticker, in the Dubuque office works closely with Paul and was not available due to illness. A handout was provided with information on 2017 returns, annual account review and other information.

The portfolio's performance for the year was 0.99%. Weighted average duration is 2.40, but if figuring in step-up holdings, it is closer to 2.2. Duration is kept short to position for future rate increases. The holdings are step-up bonds containing a provision that allows the bond to be called for redemption on a set anniversary date. The interest rates continually 'step-up until maturity. Tom expects that as the rates continue to rise, the bonds will more than likely be called at par. The bonds were bought at a discount, so a gain will be realized if bonds are called at par. DB&T is still playing defense with their investment strategy, but expect the returns in 2018 to be better than 2017.

Tom is expecting the Fed to increase interest rates three times in 2018, the same as 2017. He is expecting lower unemployment and wage growth in relation to the Tax Cuts and Jobs Act, leading into possible inflation. The current Fed rate is 1.25%, he would expect it to raise up to 2% by the end of the year. Rates haven't been at 2% since before 2008.

Tom confirmed that the investments are in compliance with the City investment policy.

4. Jean reported on current cash standings. The City continues to ladder CD maturities to meet operations. Jean received communication from Collins Community Credit Union that they are interested in bidding on CD's.
5. The Commission reviewed the December 2017 quarterly investment reports.
6. There was no communication from the public, commission or staff to report according to Jean.
7. The next meeting of the Commission is scheduled for Wednesday, April 25, 2018 at 3:00 p.m. A representative from US Bank will present.
8. Gary Ruden moved that the meeting adjourn. The motion was seconded by Rachael Ferraro, and approved unanimously. The meeting adjourned at 3:30 p.m.