



TO: Members of City of Dubuque Investment Oversight Advisory Commission

FROM: Paul Lassance, Investment Oversight Advisory Commission
Jennifer Larson, Chief Financial Officer

RE: Un-approved Minutes of the January 25, 2023, Meeting of the Investment Oversight Advisory Commission and Chairman's Quarterly Report

DATE: March 15, 2023

Commission members present:

Paul Lassance, Gary Ruden, Josh Merritt, and Molly Valaskey

Commission members present virtually:

Tom Major

City staff present:

Jennifer Larson, Chief Financial Officer

Jacob Baltierra, Finance Accountant

1. The meeting was called to order at 3:00 p.m. by Paul Lassance. This is an official meeting as a quorum was present.
2. Chief Financial Officer Jennifer Larson certified that the meeting was in compliance with the Iowa open meetings law.
3. Paul Lassance moved that the minutes of the October 26, 2022 be approved. The motion was seconded by Molly Valaskey and approved unanimously.
4. Stacey Hines, Tom Peckosh, and Regan Tigges from DB&T were present in person and Paul Dickson was present virtually.

Paul Dickson gave a portfolio and economic update for the quarter ending December 31, 2022. The portfolio is compliant with the City's investment policy. There is \$56,607 in cash and \$7.3 million in bonds (U.S. Treasury and Agency U.S. Government Federal Home Loan Bank). The average duration is 2.97 years and securities are triple A. There is no anticipated loss of value unless bonds would be sold prior to maturity.

In addition to raising interest rates, Fed began to unwind its balance sheet of bonds accumulated over the years of "quantitative easing." The Fed hiked its short-term

Fed Funds policy rate by 425 basis points from a range of 0.00%-0.25% to that of 4.25%-4.50%. This caused all rates in the economy to rise, and bond prices to fall, at an unseen pace. The Fed ceased being one of the largest purchasers of US Treasuries and Mortgage-Backed Securities allowing their yields to rise largely in line with the interest rate policy changes. The US yield curve inverted with longer-term bonds having lower rates than shorter ones, implying that the bond market expects Fed policy to move to an easing posture, likely due to rising recession risks. Yields have now risen substantially providing better forward-looking prospects for returns.

Paul Lassance asked if the portfolio is in compliance with the City's investment policy. Paul Dickson responded that it is.

Paul Lassance asked about the duration and now with interest rates leveling out what are the goals for the City's portfolio? Paul Dickson responded that they are extending to five-year durations, as Fed lowers rates, will extend duration.

Paul Lassance asked what they are considering for the treasury notes maturing in February. Paul Dickson responded Fed is increasing .25 basis points in February, after rate hike, 4.25% on a 2-year treasury. There is inversion of the bell curve. Using step-ups. Interest rates rose faster than what was expected. Next investment will be a bullet.

5. Jennifer Larson reported on recent certificate of deposit results. Dutrac Credit Union bid 4.9% on a recent six-month certificate of deposit bid. City is investing more funds in certificate of deposits. The City is seeing approximately 3-4 bids on certificate of deposits.
6. The Commission reviewed the December 31, 2022, quarterly investment reports.
7. There was no communication from the public.
8. The next meeting of the Commission is scheduled for Wednesday, April 26, 2023 at 3:00 p.m. A representative from Dana Investment Advisors. will be invited to present at the meeting.
9. Gary Ruden moved that the meeting adjourn. The motion was seconded by Molly Valaskey. The meeting adjourned at 3:26 p.m.