



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 July 26, 2017, Meeting of the Investment
Oversight Advisory Commission and Chairman's Quarterly Report

DATE: July 26, 2017

Commission members; Paul Lassance; Gary Ruden and Franz Becker; and City staff, Jean Nachtman, Finance Director; Tami Lansing, Assistant Finance Director.

1. The oath of office was administered to reappointed commission member Paul Lassance at the City Clerk's Office prior to the meeting.
2. 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.
3. Gary Ruden moved that the minutes of the April 26, 2017, meeting be approved. The motion was seconded by Franz Becker and approved unanimously.
4. Francis "Chip" Murray, President & CEO, and John Gonner, Senior Vice President presented for First Community Trust.

John reviewed the handout. FCT has outperformed the index, 45 of the 59 months when the index showed a negative return and 65 out of the 118 months when the index showed a positive return. This demonstrates that the risk adverse strategy of the portfolio is not hampering returns on the growth side.

The standard deviation of returns for the City are also better than the Barclay's index. The City's accounts have an R-Squared of .63 since inception. This is considered in the average range (.40-.70).

John discussed the April JOLTS (Job Openings and Labor Turnover Survey) report and discussed the it showed 6 million job openings nationwide. The highest number since data has been tracked starting in December of 2000. That is 2.3 million more open jobs than 4 years ago.

An indicator that has been weak during the economic recovery is capital spending. Small businesses are now starting to shift spending towards capital goods which may help boost productivity and economic growth.

There was a dramatic increase of yields for the 5 year treasury since at the end of 2016. This is what triggered the negative returns for the year.

Recently, the yield on the 10-year treasury note had dropped to 2.15% from a YTD high of 2.63% in mid-March.

John commented that they are concerned about the risk of rising rates and positioned the portfolio to perform well in that environment.

Since the beginning of the year, interest rates on maturities less than four years have increased while interest rates on maturities over 4 years have declined. Short term interest rates have increased in response to two increases in the Fed Funds rate this year while longer rates have remained low in response to subdued economic growth and low inflation.

The City's average coupon is 1.48% and the yield to maturity is 1.51%. The rates are so close due to the relatively short duration of 2.17 year.

John remarked that they plan to keep duration around two years as he anticipates that interest rates are likely to increase.

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

5. Jean reported on current cash standings. With increased interest from local banks and credit unions, excess funds have begun to shift out the DB&T Money Market account into a laddered CD approach. \$1 million was deposited into FCT in June 2017. This was to replacing funds withdrawn from the managed accounts back in the summer of 2016. Finance continues to monitor cash flow needs during peak summer construction.
6. The Commission reviewed the June 2017 quarterly investment reports.
7. There was no communication from the public, commission or staff to report according to Jean.
8. The next meeting of the Commission is scheduled for Wednesday, October 25, 2017 at 3:00 p.m. A representative from Dana will be invited to the meeting.
9. Paul Lassance moved that the meeting adjourn. The motion was seconded by Gary Ruden, and approved unanimously. The meeting adjourned at 3:35 p.m.