



the dispatch

members' update from the Illinois Government Finance Officers Association



Achieving Excellence Together
September 8-10
Bloomington
Normal
DETAILS TO COME



Chapter presidents on the year ahead

The latest from the Chapter presidents on their goals for 2019



Michael Wolf
South Metro

"If I had to name one word to sum up the South Metro Chapter Board, it would be consensus," says Chapter President Mike Wolf. "This group is truly motivated to help everyone get better at how they do their job. And how do we do that? We start with well-rounded, high quality training. We kicked off our year after the state IGFOA Conference by spending much of our next two Board meetings talking about what we all thought about the Conference sessions, which topics drew crowds, and what feedback we heard. We had lots of ideas flying back and forth, all with the goal of building on what was offered

[more](#)



Anthony Fashoda
Chicago Metro

"2019 is turning out to be a great year for the Chicago Metro Chapter," says Anthony Fashoda, Chapter President. "The Chapter Board wanted to emphasize training, and so we got an early start by selecting topics we know people want to hear about, and then scheduling the whole block of programs for 2019."

The year's training began in February with members of the Will County Sheriff's SWAT Team on preparing for, and responding to, active shooter and violent incidents.

On May 15, Cyber Security will be the

[more](#)



Molly Talkington, MPA
Downstate

Last year in this space, new Downstate Chapter President Molly Talkington said that recruiting new people to serve on the Chapter Board was essential. This year, she's reporting that the Chapter now has a fully staffed board, complete with regional coordinators.

"Personal contact is so important in welcoming people into the organization" Molly explains. "We've had great success reaching out personally and offering folks 'guest tour calls' where they listen in on our monthly meetings by phone. This lets them experience that being on the Board can be as easy as having a monthly phone call at their desk."

[more](#)

Chapter Presidents continued [next page](#)



Mark your calendars and save these dates!

- April 11: **ILLINOIS PUBLIC PENSION INSTITUTE I** NIU Naperville
- May 10: **VOLUNTEER RECOGNITION & PARTNER APPRECIATION** Stonebridge Country Club, Aurora
- May 19: **IGFOA SOCIAL EVENT AT NATIONAL GFOA CONFERENCE** The Palm, Los Angeles
- Sept. 8-10: **IGFOA ANNUAL CONFERENCE** Bloomington/Normal

Elsewhere in this issue

- [Volunteers](#)3
- [Did you know?](#)4
- [New Cancellation & Refund Policies](#) ..5
- [Partner news](#)6
- [Economic Brief](#)7
- [Volunteer Recognition & Partner Appreciation event](#)8
- [Sustaining Partners](#)9

Chapter presidents on their goals for the year ahead

continued from [first page](#)

Michael Wolf **South Metro Chapter**

and mixing it up to provide great training at the chapter level.”

“At our meetings we also usually discuss what’s going on across the state, in local governments, on the IGFOA Executive Board, and in the legislature. This dialogue leads to consideration of topics to bring to Chapter members,” Mike says. “For instance, our February half-day training was an outgrowth of one of these exchanges, offering a mixture of a state Legislator talking about bills moving through Springfield, and a Partner discussing credit ratings.”

Including soft skills training

“The Board has discussed how finance education emphasizes technical skills, and so our new graduates are very proficient in them,” Mike continues. “But we also recognize that ‘soft skills’ such as knowing how to work with an elected board, building a team, asking good questions, getting a consensus, and running a meeting can all be vital leadership skills for successful finance professionals. So to make up for what people maybe didn’t learn in school, we’re going to be offering training on those kinds of skills as well.”

With that in mind, the April 5 Lunch & Learn will feature Heidi Voorhees of GovHR USA focusing on the top ten lessons she’s learned from employees on what they want in a leader. These lessons can help any manager be a better leader.

Increasing Partner involvement

“Our South Metro Board has also talked about how we have a really good group of IGFOA Partners, and how we’d like to see them get even more involved at the chapter level,” Mike says.

“We’re excited about the possibilities for the joint Summer Golf Outing with the Chicago Metro Chapter,” he continues. “It’s going to be at Topgolf, so we’ll have golf themed fun without actually playing golf. It should be great for interaction with fellow members and Partners. Our goal is for everyone to have a good time together.”

Contact Mike at WolfM@villageofbourbonnais.com

Anthony Fashoda **Chicago Metro Chapter**

focus. “Members want to hear the specifics of what’s happened to others, and what they did about it,” Anthony explains. “The speakers will also dig into the details of what to have in place for banking services, how to lessen the risks of hacks from someone clicking on a random email, and the latest on avoiding vulnerability.”

The Summer Golf Outing will be held at Topgolf with the South Metro Chapter to involve even more public sector members and Partners.

The fall program, presented by an auditor, will dig deep into GASB and leases, from the points of view of both lessee and lessor.

The 2018 Holiday Luncheon was one of the best-attended ever, so the Chapter Board hopes to repeat the location.

Adding variety to the Board

“The Chicago Metro Board now includes park district representation so that we can hear about topics those finance professionals need, both at the chapter level and at the Annual Conference,” Anthony explains. “Since Illinois park districts don’t have a specific independent organization dedicated to ongoing finance training, we can help fill that void.”

Seeking out new topics

“This year Chicago Metro will continue to seek out topics about which people want to be informed, and we will stay open to opportunities that we haven’t offered in the past,” he continues. “And our switch to meeting monthly, rather than quarterly, will be helpful for keeping everyone in the communications and planning loop.”

Continuing emphasis on networking and Partners

“We’ll continue to reach out to potential members, encouraging them to come network, join the Board, or host events. And we will emphasize the value of networking, and what great resources we have in our Partners.”

Contact Anthony at Anthony.Fashoda@hoffmanestates.org

Molly Talkington **Downstate Chapter**

“Sometimes that monthly phone call is all someone has time for, and other times, they may want to plan events,” she continues.

There are now five active regions

Downstate has five active regions, each with strong leaders planning and coordinating:

- ▶ Central Illinois (B-N; C-U; Peoria; Springfield) – Elizabeth Beaty, Barbara Ramsey, and Courtney Kouzmanoff
- ▶ Northwest (Quad Cities) – Gloria Osborn and Will Tolmie
- ▶ Rock River (Rockford area) – Carla Paschal and Curtis Newport
- ▶ Southern (Mt. Vernon area) – Deb Zimmerman and Janette Dilliner
- ▶ Southwestern (O’Fallon area) – Tracy Kennett and Sandy Evans

Encouraging attendance

The Board and regional coordinators continue to encourage people to come to meetings. That seems to be working too, as shown through the increased attendance in the recent Downstate Conference. “We’re paying attention to the feedback,” Molly explains. “For instance, once people said they wanted to go deeper for GATA training than what one hour allows, we expanded it, with more time for the all-important Q and A.

“But we’ve got to keep getting the word out,” she continues. “We’ve seen comments on IGFOA surveys that people would like to see more Downstate trainings. Well, we do have them, but people may not know about them. So the Board is doubling down to personally reach out.

Next up: Succession planning

Succession planning for the future of the Chapter is the next goal. “The Board is ready to take the next steps and move regional volunteers into Board positions,” Molly explains. “It’s important to know who will be serving on the Board in the future.”

Contact Molly at mbreet16@yahoo.com

IGFOA member Brian W. Caputo appointed Interim President of College of DuPage and reappointed to GASB

Appointment as Interim President College of DuPage

Dr. Brian W. Caputo began serving as the Interim President of the College of DuPage (COD) on January 1, 2019, replacing former President Dr. Ann Rondeau, who became president at the Naval Postgraduate School.

Brian joined COD as the Vice President, Administration and Treasurer (CFO) in March 2017. Under his leadership, the College's general obligation bond rating improved from AA to AA+ with S&P Global Ratings. Moreover, Moody's Investors Service affirmed the college's Aa1 rating and shifted its outlook from stable to positive.

Another notable accomplishment is that Brian was directly responsible for creating the College's first *Budget-In-Brief* document, which won the **GFOA's 2018 Award for Excellence in Government Finance for Exceptionally Well Implemented GFOA Best Practice**. The GFOA's Award for Excellence recognizes innovative programs and contributions to the practice of government finance that exemplify outstanding financial management.

In addition to the Budget-in-Brief document, Brian led the effort to publish COD's first *Popular Annual Financial Report* (PAFR), which **earned GFOA's PAFR program award in 2018**. GFOA's PAFR program encourages governments to use information from their comprehensive annual financial



Courtesy of College of DuPage

Volunteer spotlight



Darshana Prakash

Accounting Manager
Village of Lemont

IGFOA Program
Content Reviewer

Members likely know that every IGFOA CPE credit training program is made up of many moving parts that must successfully fit together. But what they may not know is that the final piece of the puzzle is often put into place by Darshana Prakash, the volunteer who reviews every IGFOA webinar, seminar, and training opportunity to ensure it meets the content review standard set forth by the National Association of State Boards of Accountancy (NASBA). IGFOA must comply with all NASBA standards to maintain the ability to award CPE credit accepted for CPA and CPFO licensing.

"I review the presentation, slides and handouts a week or two beforehand, ensuring they meet certain criteria of that level of NASBA's Field of Study category," Darshana explains. "I then prepare a content review form that the IGFOA office keeps on file."

Darshana has earned her CPA and a Master's Degree in Accounting and Finance,

reports to create reports specifically designed to be readily accessible and easily understandable to the general public without a background in public finance.

Member of the Governmental Accounting Standards Board

In addition to his position as the Interim President of COD, Brian has served on the Governmental Accounting Standards Board (GASB) since July 1, 2015. On February 26, 2019, the Financial Accounting Foundation (FAF) Board of Trustees, the organization responsible for the oversight of the GASB and the Financial Accounting Standards Board (FASB), announced his reappointment to a second term on the GASB. This second term begins July 1, 2019 and extends through June 30, 2025.



and has worked in local government finance for 12 years. Before that, she worked in the private sector.

Recalling how her volunteering with the association began, Darshana says, "I was so impressed with IGFOA's opportunities that I asked IGFOA then-President Rita Kruse if there might be something I could do without taking on more than I could easily handle. Rita put me in touch with Diane Gillian Lantz and Ruth Limpers, and this ideal volunteer position came my way."

"This particular responsibility is perfect for me," she continues. "It's relevant to my work, and it's a great way to stay involved in my field. At the same time, I can do it anywhere and on my own time. I enjoy working behind the scenes and contributing in this way. It gives me a real sense of satisfaction."

The GASB is the seven-member organization that sets accounting and financial reporting standards for state and local governments in the U.S. following generally accepted accounting principles.

Prior to joining COD, Brian served nearly 19 years as Chief Financial Officer/Treasurer for the City of Aurora. Brian earned a Bachelor of Science from the United States Military Academy, a Master of Science in Accountancy from DePaul University, a Master of Public Administration from Northern Illinois University (NIU), and a Ph.D. from NIU with public administration, public policy, and government finance as fields of study. A CPA and a CPFO, Brian is a Past President of the IGFOA and served as Chair of the Technical Accounting Review Committee. He continues to volunteer for IGFOA, speaking at training seminars, webinars, and the Annual Conference.

Did you know that

...PEC offers a variety of CPE eligible training opportunities?

The IGFOA Professional Education Committee (PEC) offers a **diverse selection of training topics** to meet the different knowledge levels and interest of members. The training is delivered as both webinars and in-person seminars. *List below.*

April 11:

Illinois Public Pension Institute I NIU Naperville

Meets eight of the 16 annual continuing education hours for Public Police and Fire Pension Trustees required by the Illinois Pension Code (40 ILCS 5/1-109.3)

April 18:

LUNCH CRUNCH WEBINAR – Top Considerations for Accounts Payable Controls

May 7:

LUNCH CRUNCH WEBINAR – Short-Term Cash, Long-Term Outlook

May 9:

Internal Controls Seminar Radisson Hotel and Conference Center, Rockford

June 6:

LUNCH CRUNCH WEBINAR – Back to Basics: Budgeting

June 13:

LUNCH CRUNCH WEBINAR – Topic TBA

June 19–20:

Intermediate Governmental Accounting Seminar NIU Naperville

June 27:

Utility Billing Seminar NIU Naperville

October 24:

Payroll Seminar NIU Naperville

November 14:

Illinois Public Pension Institute II – Annual Ethics Training NIU Naperville

Public Police and Fire Pension Trustees should note that the Illinois Pension Code requires 8 hours of annual continuing education in Ethics Training. This fulfills that requirement. (40 ILCS 5/1-113.18)

...IDOR will have a MyLocalTax portal, and is seeking workshop sites?

*by Aaron Allen, Local Tax Allocation
Division Manager, IDOR*

Good news! The **MyLocalTax portal**, which Brenda Towers discussed at the 2018 IGFOA Annual Conference, is on schedule. In late May/early June, the Illinois Department of Revenue (IDOR) will roll out MyLocalTax (MLT). MLT is their new portal that local governments will be able to use to **view/print prior correspondence, request/receive reports, submit inquiries, respond to IDOR letters, and request updates** to their accounts. For example, instead of waiting to receive the CD of your allocation remittance reports tri-annually, you'll be able to request this information monthly and receive a file that can be downloaded directly to your device.

Closer to rollout, IDOR will post a PowerPoint presentation to their website that will introduce you to the capabilities of the portal as well as provide basic training on how to use it. In place of our usual local government workshops, our 2019 workshops will be focused on MyLocalTax.

We plan to have eight workshops throughout the state in June that will focus on demonstrating MyLocalTax and answering questions about the portal.

Host an IDOR workshop!

Ideally, the host locations will be able to seat around 100 attendees and have the necessary A/V equipment for our presentation. If your local government has any interest in hosting one of the workshops, please contact Aaron Allen, the Local Tax Allocation Division Manager at 217-785-7116 or Aaron.Allen@illinois.gov. Once the dates and locations have been set, a bulletin will be sent out that includes the information for the PowerPoint presentation as well as the schedule for the workshops.

IGFOA volunteered to host a free MLT Workshop on June 4, 2019

at NIU Naperville. Look for registration to open on the IDOR website.

...The Volunteer Recognition and Partner Appreciation Event is May 10?

IGFOA will honor **IGFOA members who volunteer their time and expertise** to the benefit of the Association at a complementary reception on May 10 at Stonebridge Country Club from 2:30–4:30 pm. This includes Committee members (PEC – including content review, team leaders and team members, TARC, Membership, Legislative, Nominating), Partners' Forum, GEN, Chapter Boards or Regional Coordinators, Annual Conference planning team, speakers, moderators, registration desk assistants, CPE monitors, and anyone who donated time to benefit the association. Stonebridge Country Club is located at 2705 Stonebridge Blvd., Aurora.

...The IGFOA Social Event at the National GFOA Annual Conference in Los Angeles is May 19?

The IGFOA Executive Board cordially invites IGFOA members (and their guests 21 and over) attending the national GFOA Annual Conference in LA to the **IGFOA social reception on Sunday, May 19 at The Palm**. Plan to stop by anytime between 6:00 and 10:00 pm. The Palm is located across from the LA Convention Center at 1100 S. Flower Street, LA.

...Unpaid membership dues as of March 31, 2019 may result in suspension of benefits?

IGFOA membership dues are based on the calendar year and were due on January 31, 2019. However, a grace period was granted until March 31, 2019. After this date the benefits for all unpaid public sector, Individual, and Associate Partner members may be suspended. The Membership Committee is reaching out to public sector unpaid members and the Partners' Forum to unpaid Individual, Associate, and Sustaining Partners.

...Knowledge Exchange has a polling feature?

Need to survey your colleagues? The **Knowledge Exchange now contains a polling feature allowing members to create a survey**. Sign in and look for the "Post a Poll" link in the menu on the right of the page. [more](#)

More Did you know that

continued from [previous page](#)

...Bill Hannah was a guest speaker at NIU's MPA "Local Government Administration" class on February 13?

Bill Hannah, Finance Director for the Village of North Aurora and IGFOA Vice President, participated as a **guest speaker on a panel to discuss local government professional organizations** and the services they provide to their membership. Bill was invited by Don Weiss, NIU adjunct instructor and Community Relations Director at the Village of Addison to represent IGFOA on the panel.

Other panelists included Village of Addison Police Chief Tim Hayden representing DuPage Chiefs of Police, Village of Addison Village Clerk Lucille Zucchero representing DuPage Municipal Clerks, and Hanover Park Mayor Rodney Craig representing the Illinois Municipal League.

...Kevin Wachtel participated in the Willowbrook High school College and Career week on March 19?

Kevin Wachtel, Finance Director for the Village of Villa Park and IGFOA Secretary, volunteered to speak with Willowbrook High School students about **careers in finance and working for government**.

As many IGFOA members know, engaging young people and generating interest in government finance is critical to attracting and retaining talented young people in the profession.

Thank you to Bill Hannah and Kevin Wachtel for promoting the government finance profession as a career.

...IGFOA wants to know about your experience?

If you have volunteered to represent the government finance profession to students or as a mentor, we want to know! Please share your experience by email to execdir@igfoa.org.

The IGFOA Executive Board adopted a new Cancellation and Refund Policy?

The IGFOA Executive Board is updating the Board Policies to bring them in line with current and best practices. Many are dated back to the 1990's and no longer reflect the direction of the Association. The Board Policies are approved by the Executive Board and will change as needed to reflect the leadership and direction of the Association. The Executive Board adopted its first Board Policy, the Cancellation and Refunds policy, at its February 22, 2019 meeting. **The policy addresses membership fees, seminar and conference fees, event registrations, and exhibit booth fees.** All registrants for IGFOA events, including the Annual Conference, must agree to the Cancellation and Refunds policy as a requirement of the registration process.

Cancellations and Refunds

Purpose: To summarize the Association's practices with regard to cancellation of membership fees, seminar and conference fees, event registrations and exhibit booth fees.

Membership fees

Member and Partner membership dues are not refundable under any circumstances. Members may withdraw or cancel their individual membership at any time by notifying the IGFOA in writing. Membership is assigned to the public sector entity and not to the individual and is fully transferable to another member of the public sector entity. Private sector memberships may be cancelled at any time provided notice is given in writing by the primary contact of the firm. Membership can also be transferred to another employee of the private sector firm.

Registration fees

Cancellation of an event registration is subject to the following policy:

- No refunds will be given for cancellations the day of the event and no shows.
- For IGFOA event registration cancellations five (5) business days or more prior to an event, refunds will be offset by a \$20 cancellation fee.
- For IGFOA event registration cancellations within five (5) business days of the training, refunds will be offset by a cancellation fee of 50% of the registration fee.
- A substitute attendee may be designated provided that the payment has been made and the IGFOA office has been notified in advance.
- Cancellation policy for chapter events may differ from this policy at the chapters' discretion.
- A written request for a refund must be emailed to the IGFOA prior to the event.

Annual Conference fees

Cancellation of an Annual Conference registration is subject to the following policy:

- For an IGFOA Annual Conference registration, cancellations fourteen (14) days or more prior to the Conference, refunds will be offset by a \$50 cancellation fee.
- For an IGFOA Annual Conference registration, cancellations within fourteen (14) days of the training, refunds will be offset by a cancellation fee of 50% of the registration fee.
- No refunds will be given for no shows or cancellations after Friday 12:00 pm (CST) before the Annual Conference.
- A substitute attendee may be designated provided that the payment has been made and the IGFOA office has been notified in advance.
- A written request for a refund must be emailed to the IGFOA prior to the event.

Annual Conference Exhibitor Booth fees

- For cancellation of an Annual Conference exhibit booth twenty-one (21) days or more prior to the Conference, refunds will be offset by a \$500 cancellation fee.
- For cancellation of an Annual Conference exhibit booth within twenty-one (21) days of the Annual Conference, a refund will not be given.
- A written request for a refund must be emailed to the IGFOA prior to the event.

Attention IGFOA Partners

News to know!

Partners' Forum – Objectives

The IGFOA's Partners' Forum has five primary objectives:

- 1 **Represent Partner interests to IGFOA staff and Executive Board;**
- 2 **Bring value to Partner membership;**
- 3 **Renew current Partner memberships and recruit new members to the program;**
- 4 **Outreach to promote communication and assist Partners with maximizing their membership benefits; and**
- 5 **Ensure a Partner perspective is included as part of key policy and planning decisions, such as the Annual Conference.**

The Forum meets monthly to review progress on these priorities and address other items as needed.

The Chair of the Partners' Forum serves as the Partner Representative to the Executive Board. With the passage of the revised IGFOA by-Laws in 2017, the Partner Representative is now a voting Board position.

Partners' Forum – Outreach

As part of the outreach effort, each Sustaining and Associate Partner is assigned to a member of the Partners' Forum.

This is the primary contact for IGFOA and is someone who can quickly address questions or concerns. In addition, Forum members will send updates on upcoming IGFOA events and important reminders. Although each Partner has a designated Forum representative, any member of the Partners' Forum is an excellent source of information.

New Colleague rate for Partner non-members

At the recommendation of the Partners' Forum, **a non-member who is employed by a Sustaining or Associate Partner firm can now register for IGFOA events at the lower Government/Partner Colleague rate.** Previously, all private sector non-members paid the higher non-member rate regardless of whether the firm was an Associate or Sustaining Partner. This change in policy results in consistency for registration fees to colleagues in both Partner firms and public sector members.

Volunteer Recognition/Partner Appreciation

Volunteer Recognition/Partner Appreciation is May 10, 2019 at Stonebridge Country Club in Aurora. **Each Sustaining Partner receives two complimentary registrations and each Associate Partner receives one complementary registration.** Please RSVP to info@igfoa.org with the name(s) of who is attending.

2019 IGFOA Annual Conference – Partner private events & Exhibitor Booth selection

The 2019 IGFOA Annual Conference is September 8–10, 2019 at the Marriott Bloomington/Normal. **As in prior years, Partners should plan their private events on Sunday (September 8)** as the IGFOA sponsored social event will be on Monday night (September 9).

2019 Exhibitor Booth Selection will begin in May. As a reminder, all booths are assigned on a first come, first served basis and Sustaining Partners have priority choice for exhibitor's booth selection.

- ▶ **Sustaining Partners** – Primary members will receive an email from IGFOA staff with the day and time that booth selection will begin.
- ▶ **Associate Partners** – Booth selection for Associate Partners will open on May 10, 2019 at the Volunteer Recognition/Partner Appreciation event at Stonebridge Country Club.

Watch for more information and reminders from IGFOA staff and your Partners' Forum outreach contact.

2019 IGFOA Partners Forum

Sue Kling – Chair and Partner Representative to the Executive Board, *Promontory Interfinancial Network, LLC*

Bob Cafarelli, *Zion's Bank*

Chris Daly, *BMO Harris N.A.*

Monica Gutowski, *Johnson & Bell*

Ethan Salsinger, *Arthur J. Gallagher & Co.*

Bill Sarb, *RSM US LLP*

Erik Stolz, *PMA Financial Network, Inc.*

2019 IGFOA Associate Partners

Thank you Associate Partners who have renewed membership for 2019!

Amalgamated Bank of Chicago
BAIRD
Bernardi Securities, Inc.
BKD LLP
BS&A Software
Capital Gains Incorporated
CBIZ Valuation Group, LLC
Civic Systems LLC
ClientFirst Technology Consulting
CliftonLarsonAllen LLP
Crowe Horwath LLP
Econics
First Bank of Highland Park
First Midwest Bank
Foster & Foster
GovHR USA
Graystone Consulting
GW & Associates, PC
Huntington National Bank
Ice Miller LLP
InfoSend
Invoice Cloud
John Kasperek Co., Inc.
Klein Hall CPAs
Lauterbach & Amen, LLP
Miller Cooper & Co., Ltd
Moody's Investors Service
Piper Jaffray & Co.
Plante Moran
Promontory Interfinancial Network, LLC
RSM US LLP
S&P Global Ratings
Selden Fox, Ltd.
Speer Financial, Inc.
Stifel
Third Millennium Associates, Inc.
Tyler Technologies, Inc.
Wells Fargo

Associate Partners not renewing membership dues by March 31, 2019 may lose member benefits, including an exhibitor's booth at the 2019 IGFOA Annual Conference.

Learn more about the IGFOA Partners program at www.igfoa.org/membership

Flattening curve stirs recession fears

by Dimitri N. Delis, Ph.D., Senior Econometric Strategist, Managing Director, Piper Jaffray & Co.

5yr Treasury yields have been trading below 2yr yields for the past 4 months. In the past, a 2s/5s inversion has always presaged or coincided with an inversion between the 2yr and 10yr Treasury points. The 2s/10s Treasury spread has currently flattened to less than 13 bp, its narrowest level since 2007. Historically, every recession has been preceded by an inversion of the 2s/10s Treasury yield curve. According to our model the odds of a recession are currently 48%, but the probability jumps to over 90% if the 2s/10s spread flattens to 0 bp.

Inverted curves lead to recessions

- ▶ Currently the 2s/10s spread has tightened to less than 13 bp hitting its narrowest level since June 2007. The flattening has attracted the attention of the financial markets and has prompted speculation about the possibility of an economic downturn. Historically the yield curve has been one of the most reliable recession indicators. Every US recession in the past 60 years has been preceded by an inverted yield curve**.
- ▶ The predictive nature of the inverted yield curve is evident in Figure 1, which shows the difference between 10yr and 2yr Treasury yields from January 1988 to March 2019. Every recession over this period has been preceded by an inversion of the yield curve and most inversions have occurred during periods when the Fed was hiking rates. The delay between the curve inverting and the beginning of a recession has ranged between 12 to 22 months.
- ▶ While the 2s/10s spread is currently not inverted, the 2yr Treasury yield has been trading above the level of the 5yr Treasury for the past 4 months. In the past, a 2s/5s inversion has always presaged or coincided with an inversion of the curve between the 2yr and 10yr Treasury points (Figure 2). Therefore at this moment an inversion between the 10yr and 2yr Treasury yields seems quite likely.
- ▶ During the 1994-95 Fed tightening cycle the 2s/10s spread did not turn negative and the US economy did not enter into a recession. However, it is worth noting that at that time the 2s/5s spread also did not turn negative.

Odds for a recession

- ▶ To quantify the odds of a recession we constructed a model that translates the steepness of the yield curve into a probability of recession at some time in the future. The probabilities as calculated from this model are compared with the actual recessions in Figure 3. The rise in probability ahead of each recession over the past 40 years, validates the predictive nature of the model.
- ▶ According to our model, with the 2s/10s curve near 12 bp the probability of a recession occurring over the next 12 -18 months has risen to 48%. The odds of a recession increase substantially as the spread drops below 10 bp and when the spread narrows to 0 bp the odds jump to over 91% (Figure 4).
- ▶ Periods with inverted yield curves are steadfastly followed by economic slowdowns and almost always by recession. From the time the 2s/10s curve first inverts it has taken on average 18 months for a recession to occur over the past 30 years.

Conclusion

- ▶ Over the past 40 years, every recession has been preceded by an inversion of the yield curve. The 2s/10s Treasury spread has currently narrowed to 13 bp, its lowest levels since 2007 raising concerns of a recession. The odds of a recession occurring over the next 12 -18 months are about 48%, but the probability rises to over 57% if the 2s/10s spread narrows to 10 bp and increases to over 78% if the spread drops to 5 bp. With 5yr Treasury yields trading below 2yr yields for the past 4 months the 2s/10s curve should continue to flatten and the yield curve may invert over the next 6 months. Although the 2s/10s spread has been a reliable indicator for predicting recessions, forecasting the future is a tricky task and however consistent past patterns have been they do not guarantee future results.

** Economic Forecasts with the Yield Curve, Federal Reserve Bank of San Francisco, March 2018

Dimitrios.N.Delis@pjc.com
312 267-5158

Figure 1: Over the past 30 years recessions have always been preceded by a 2s/10s yield curve inversion.

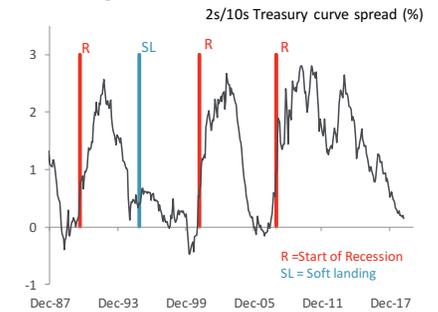


Figure 2: Over the past 30 years 2s/5s curve inversions have always led or coincided with a 2s/10s curve inversion.

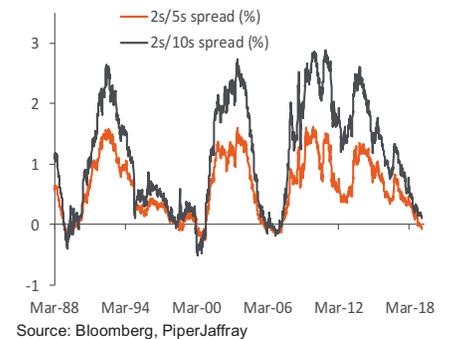


Figure 3: With the 2s/10s curve spread at 12 bp the probability of a recession has spiked to 48%.

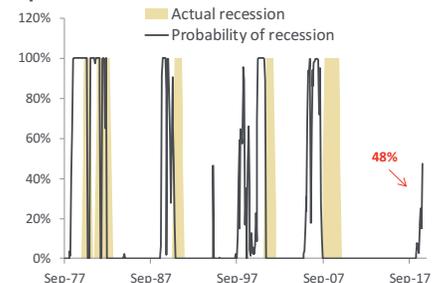
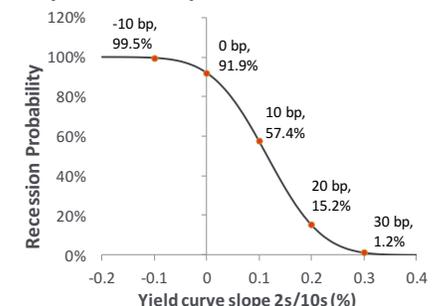


Figure 4: The odds of a recession increase substantially as the spread drops below 10 bp.



Source: PiperJaffray

ARE YOU AN IGFOA VOLUNTEER?

Here are just some of the ways you are an IGFOA STAR!

Annual Conference Speaker, Moderator, Registration Desk Assistant, or CPE Monitor

★ Legislative Committee ★ Membership Committee ★ Nominating Committee ★

Partners' Forum ★ Professional Education Committee (Team Member, Content Reviewer, Speaker Coordinator) ★ Growth & Engagement Network ★ Technical Accounting

Review Committee ★ Speaker for Seminars and Webinar ★ Chapter Board Officer

or Regional Coordinator ★ Donate your time to benefit IGFOA in any capacity

The IGFOA Executive Board invites you

to the **Volunteer Recognition**

with **Partner Appreciation**

Reception

Friday, May 10, 2019 2:30 to 4:30 pm

STONEBRIDGE COUNTRY CLUB

2705 Stonebridge Blvd, Aurora, IL 60502

There is no fee to attend.

Volunteers please RSVP at igfoa.org

Sustaining & Associate Partners please RSVP to info@igfoa.org

(At the Reception, Associate Partners will select their exhibitor's booth for the IGFOA Annual Conference)



ILLINOIS GOVERNMENT FINANCE OFFICERS ASSOCIATION

IGFOA PARTNERS

THANKS TO SUSTAINING PARTNERS FOR SUPPORTING IGFOA



Insurance | Risk Management | Consulting



redefining / standards®



GOVERNMENT SOLUTIONS



now, for tomorrow.



Attorneys at Law · Focused on Finance®



Federal Home Loan Bank of Chicago



Taking Measure of Tomorrow



Your organization
could be here, too.



Visit [www.igfoa.org/
membership](http://www.igfoa.org/membership)
for details.

