

**TO:** Members of City of Dubuque Investment Oversight Advisory Commission  
**FROM:** Kenneth J. TeKippe, Finance Director *Kenneth J. TeKippe*  
**RE:** Un-approved Minutes of the January 27, 2010 Meeting of the Investment Oversight Advisory Commission  
**DATE:** February 4, 2010

Commission members Steve Reisdorf, Hiram Melendez, Virgil Blocker, Brad Chalmers and Gary Ruden were present. Ken TeKippe, Finance Director, Jean Nachtman, Assistant Finance Director and Tami Lansing, Accountant, were also present.

1. The meeting was called to order at 3:00 p.m. in Conference Room A in City Hall by Chairperson Steve Reisdorf. Finance Director Ken TeKippe, certified that the meeting was in compliance with the Iowa open meetings law.
2. Virgil Blocker moved that the minutes of the October 28, 2009 meeting be approved as written. The motion was seconded by Hiram Melendez and approved unanimously.
3. Mr. Andrew Douglas, Senior Vice President – Chief Investment Officer, Wealth Management Group, Mr. Stephen Smart, Vice President – Investment Officer and Ms. Rita McCarthy, Vice President – Senior Wealth Advisor of Dubuque Bank and Trust provided a handout with strategic outlook, total return analysis, 2009 returns, cash flow summary and holdings.

Andrew indicated that Kim Grant and William Zaleski are no longer with the bank and Stephen and Rita have assumed responsibility. Stephen has 30 years experience working with fixed assets. Returns beat indexes for past year. In mid-year switched to straight treasuries with duration at 2.88 vs. 3.40 in index, half year shorter than last year. Bank buys investments in round lots which provides better execution and cost savings if over \$1,000,000 acquired, trade electronically and direct.

Stephen indicated that our portfolio is fairly simple which is good, plan to stick with treasuries not with investment in agencies, don't use floaters, rates projected to rise perhaps .50% within a year (Feds did not raise rates at today's meeting).

The Vanguard GNMA Fund has an expense ratio of .22% and is a several billion dollar fund.

Andrew confirmed that Dubuque Bank and Trust is in compliance with the City's current investment policy.

4. The Commission reviewed the December 2009 quarterly investment reports prepared by the Finance Department. The City has continued to invest new funds or maturing investments in the high yield savings accounts and some Certificates of Deposit (approximately 6 month maturities). Recent interest rates for certificates of deposit acquired have been in the .40-.60% range. Minimal interest continues from local banks for accepting City funds. Rates for investing recent \$14 million bond proceeds is .60%.
5. Ken distributed investment return information from the four investment managers: Dubuque Bank and Trust, U.S. Bank, Dana Investment Advisors and First Community Trust. Also distributed a recap of manager/ custodian annual fees based on December 31, 2009, market values. Consensus was to request 1, 3, 5 and 10 year investment returns from managers.

Ken TeKippe indicated City currently has considerable unspent bond proceeds for a number of borrowings, largest being new downtown parking ramp. In addition, borrowings continue through the State of Iowa Revolving Loan Fund for a number of projects. Interest rates were in low 3% range for recent bond issues. SRF loans require City spending funds for projects and seeking reimbursement.

Ken indicated that City did not withdraw funds from the investment managers since the last meeting and there are no plans to withdraw or add to funds during next few months.

Distributed a proposed fee schedule from managers after the recent solicitation for input. After lengthy discussion, consensus was to recommend a letter be sent to verify their continued interest if fee set at 35 points for first \$5 million and 30 points for funds over \$5 million for all managers. Motion by Hiram Melendez and seconded by Virgil Blocker and approved unanimously. Emphasize the type of investments allowed, recent low returns and encourage monthly payment of their fees. The size of investment for managers was discussed with a reallocation to be considered at a future meeting along with discussion on custodian fees.

6. Steve Reisdorf made a motion to accept change in investment policy to move "8.1.8 Municipal securities approved by Municipal Security Rulemaking Board (MSRB)" from allowed to prohibited investments 8.2.6 to comply with State of Iowa laws. Gary Ruden seconded and approved unanimously.
7. There was no communication from the public, commission or staff to report according to Ken.
8. The next meeting of the Commission is scheduled for Wednesday, April 28, 2010, at 3:00 p.m. in City Hall. A representative from U.S. Bank will be invited to the meeting.
9. Virgil Blocker moved that the meeting adjourn. The motion was seconded by Gary Ruden and approved unanimously. The meeting adjourned at 4:40 p.m.

From: City of Dubuque, Investment Oversight Commission  
To: MEMBERS of the CITY COUNCIL of DUBUQUE, IA.  
Regarding: Quarterly Report

In Accordance with Ordinance No. 50-92 (3) Sec.2-231, City code, the City of Dubuque Investment Oversight Commission (IOC) respectfully submits the 67<sup>th</sup> quarterly report.

The IOC members met on January 27, 2010. The transactions reviewed through December 31, 2009 appear to be in compliance with the Articles in the Investment Policy as further noted below. Mr. Andrew Douglas, Mr. Stephen Smart and Ms. Rita McCarthy from Dubuque Bank and Trust Company (DB&T) came before the Commission for the annual review of the Funds DB&T manages for the City. Mr. Douglas presented information and answered questions relative to DB&T's investment management work. Mr. Douglas stated that investments with DB&T are in compliance with the IOC investment policy. Mr. Douglas also reviewed portfolio performance. Costs are kept low as DB&T buys in round lots of over \$1,000,000.00 electronically. Mr. Smart stated that the City portfolio is made up of short duration securities, 2.88 vs. 3.40 in index. There does not appear to be any credit issues with the portfolio as our securities are high quality. Mr. Smart expects treasuries to rise .50% with in a year. In our follow-up review of fees for advisory and custodial services, Mr. TeKippe will craft inquiry to our service providers intended to result in a standardized fee. Standardized performance rates for 1,3,5 and 10 years will also be requested. The IOC changed its Investment Policy in order to comply with State of Iowa laws by eliminating taxable municipal bonds from its Authorized Investment Instruments. There is continued weakness in rates for new CD issues. The IOC also discussed at

length future allocations of investment amounts per manager. This question will continue to be considered and discussed at future IOC meetings.

Respectfully submitted,

Stephen V. Reisdorf  
Chairman  
Investment Oversight Advisory Commision