



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 April 28, 2010 Meeting of the Investment Oversight Advisory Commission

DATE: April 29, 2010

Commission members Steve Reisdorf, Brad Chalmers, Gary Ruden and Virgil Blocker 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 3:05 p.m. in Conference Room A in City Hall by Chairperson Stephen 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 January 27, 2010 meeting be approved. The motion was seconded by Gary Ruden and approved unanimously.
3. Representatives from U.S. Bank did not attend the meeting as scheduled due to a misunderstanding relative to the date. A follow up meeting will be requested with U.S. Bank at the Investment Oversight Advisory Commission quarterly meeting July 28, 2010 or perhaps a special meeting in the next couple weeks.
4. Ken distributed investment return information for March 31, 2010, 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 March 31, 2010 market values and new rates.
5. The Commission reviewed the March 2010 quarterly investment reports prepared by Finance. The City has continued to invest new funds or maturing investments in the high yield savings accounts and limited Certificates of Deposit (approximately 6 month maturities) for the Dubuque Metropolitan Area Solid Waste Agency. Recent interest rates for certificates of deposit acquired have been in the .20-.40% range. The City recently received \$8.8 million of property tax revenue proceeds.

The City of Dubuque General Obligation Bond rating by Moody's Investors Service has recently been increased from Aa2 to Aa1. This change is due to all major credit rating services moving to rate municipal debt based on the likelihood of

default, which is the standard used for corporate debt. Moody's recalibrated its municipal ratings to a global scale. The change is not considered an upgrade, but a restatement of ratings due to the unification of the corporate and municipal scales. The intent is to provide a better indication of credit risk by applying uniform criteria to both municipal and corporate credits, rather than a sub-scale of only municipal credits. The result is that most municipal credit ratings will be restated one to two steps higher than previously indicated due to the direct comparison to all other credits rather than municipal credits only.

Ken indicated the primary unspent bond proceeds are for the new parking ramp being constructed adjacent to the main fire station on Central Avenue. Funding for an upcoming major project includes a Water Pollution Control Plant construction upgrade. Bids are expected in late May with the funding being State Revolving Fund (SRF) Loan which reflects 3% interest, .25% administrative fee and a 1% one-time loan origination fee. A portion of the SRF borrowing will be Build America Bonds which reduces the interest rate 35% from 3% to 1.95%. Currently the limit is \$20 million for an individual city for clean water borrowing. However, the City has requested to increase the limit or reallocating drinking water borrowings to take advantage of the lower interest rate.

6. All four investment managers have agreed to a revised investment fee schedule. The fee schedule will be .35% on the first \$5,000,000 of assets managed and .30% on assets managed over \$5,000,000 beginning April 1, 2010. In addition, managers can charge fees monthly as opposed to quarterly.
7. Considerable discussion on the possible reallocation of funds managed by the individual managers. A recap of three possible scenarios was distributed along with new fees. As a result of the returns and length of time that First Community Trust has managed funds, it was decided to increase their managed funds to \$5 million. A motion by Virgil Blocker and seconded by Gary Ruden to withdraw funds on a proportionate basis from the other three managers based on March 31, 2010 market values was approved unanimously. The managers will be allowed time to accumulate cash to transfer to First Community Trust.
8. Brad Chalmers indicated the City could possibly further reduce combined investment/custodian fees considerably with the use of an alternative manager(s). The City would still have separation of management and custodian to comply with our investment policy. The issue will be reviewed at a future meeting.
9. There was no communication from the public, commission or staff to report according to Ken.
10. The next meeting of the Commission is scheduled for Wednesday, July 28, 2010, at 3:00 p.m. in City Hall. A representative from First Community Trust will be invited to the meeting.
11. Gary Ruden moved that the meeting adjourn. The motion was seconded by Virgil Blocker and approved unanimously. The meeting adjourned at 3:55 p.m.

From: City of Dubuque, Investment Oversight Advisory 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 Advisory Commission (IOC) respectfully submits the 68th quarterly report.

The IOC members met on April 28, 2010. The transactions reviewed through March 31, 2010 appear to be in compliance with the Articles in the Investment Policy as further noted below. Representatives from U.S. Bank did not come before the IOC for their usual report on the funds U.S. Bank manages for the City. They experienced an internal communication problem.

It has now been determined that they will be asked to report at the July 28, 2010 IOC meeting along with First Community Trust.

The City continues to invest in high interest savings accounts as those interest rates exceed the rates of C.D.'s. This approach will be continually monitored to assure that the greatest interest income will be generated consistent with IOC risk policy.

Mr. TeKippe advised that the City's bond ratings will change due to recalibration of ratings from the major rating agencies. No rate changes will occur as this is only a move to unify corporate and municipal scales of ratings.

All of our investment managers have agreed to the lower fee schedules proposed by

Mr. TeKippe's department at the IOC direction. Managers will have the option to bill for fees monthly rather than quarterly.

The IOC has, for some time, considered increasing the amount of funds managed by First Community Trust. After considerable deliberation, the IOC has decided to increase their managed funds to \$5,000,000.00. Funds will be withdrawn from the other three managers proportionately and they will be allowed time to accumulate cash to transfer to First Community Trust.

The IOC continues to discuss alternatives for savings regarding investment and custodial fees. There was lengthy discussion on this topic.

Respectfully submitted,

Stephen V. Reisdorf
Chairman
Investment Oversight Advisory Commission