



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 26, 2011 Meeting of the Investment Oversight Advisory Commission

DATE: January 27, 2011

Commission members Virgil Blocker, Brad Chalmers and Gary Ruden were present. Ken TeKippe, Finance Director and Jean Nachtman, Assistant Finance Director were also present.

1. Virgil Blocker made a motion and seconded by Brad Chalmers and approved unanimously to elect Gary Ruden as Chairperson for the January and April meetings since Steve Reisdorf will be unable to attend due to health issues.
2. The meeting was called to order at 3:05 p.m. in Conference Room A in City Hall by Chairperson Gary Ruden. Finance Director Ken TeKippe, certified that the meeting was in compliance with the Iowa open meetings law.
3. Virgil Blocker moved that the minutes of the October 27, 2010 meeting be approved as written. The motion was seconded by Brad Chalmers and approved unanimously.
4. Mr. Michael Flood, 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, 2010 returns and holdings. Mr. Andrew Douglas, Senior Vice President, Chief Investment Officer, Wealth Management Group was unable to attend due to illness.

Michael joined the bank in 2010 on the fixed income side and provided information on his past experience. Michael indicated that returns for 2010 trailed index due to restrictive nature of City's investment policy and money moving into stocks, does not project interest rates going up until 2012, little room for rates to decrease though, plan to keep short durations with 3.07 year current effective duration, presently two large investments with two and ten year maturities in the portfolio, may add mortgage bond investments when risk benefits improve, will review in March or April by decreasing each of the current two investments.

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

5. The Commission reviewed the December 2010 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 for the Dubuque Metropolitan Area Solid Waste Agency - DMASWA). Recent interest rates for certificates of deposit acquired have been in the .35-.45% range. Minimal interest continues from local banks for accepting City funds. The City recently received \$5.7 million distribution from the Dubuque Racing Association (DRA).
6. 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, 2010, market values. Information on returns gross of fees for the past eight calendar years (2003-2010) was also distributed. The returns for the past eight years will be provided to the individual managers. Ken will contact American Trust & Savings Bank relative to custodian fees charged.

Ken TeKippe indicated City currently has considerable unspent bond proceeds for a number of borrowings. Borrowings continue through the State of Iowa Revolving Loan Fund for a number of projects including two large projects: Water Pollution Control Plant Project and Water Meter Replacement Project. SRF loans require spending City funds for projects and requesting reimbursement after expenses paid.

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.

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 27, 2011, 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 Brad Chalmers and approved unanimously. The meeting adjourned at 3:50 p.m.

From: City of Dubuque, Investment Oversight Advisory Commission
To: MEMBERS of the CITY COUNCIL of DUBUQUE
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 71st quarterly report.

The IOAC members met on January 26, 2011. The transactions reviewed through December 31, 2010 appear to be in compliance with the Articles in the Investment Policy as further noted below. Two representatives from Dubuque Bank and Trust (DB&T), Mr. Michael Flood and Ms. Rita McCarthy, came before IOC for their report on funds managed for the City. DB&T presented the performance review through December 31, 2010. Mr. Flood stated that since 12/31/1993, the average annual return is 5.26% which is 1.69% above the average return on the three month treasury. Returns YTD were 3.03%, this trailed index due to the restrictive nature of the City's investment policy along with other investors moving money into stocks. Mr. Flood does not envision interest rates rising until 2012, although he did note that there was little room for rates to fall. Their current strategy is to keep short durations, and they currently have two large investments with two and ten year maturities. They are not adverse to adding mortgage bond investments when risk benefits improve, and plan on examining that possibility in a few months. Mr. Flood concluded by stating that DB&T practices are in compliance with IOC policies.

Mr. TeKippe reviewed manager returns and fees for the year along with returns for the past eight years. These historical returns will also be provided to the four investment managers. Mr. TeKippe noted further that the City did not withdraw any

funds from the mangers since the last meeting and has no plans to do so in the near future.

The next IOC meeting date was set for April 27, 2011 and the presenter will be US Bank.

Respectfully submitted,

Gary Ruden
Acting Chairman
Investment Oversight Advisory Commission