

TO: Members of City of Dubuque Investment Oversight Advisory Commission

FROM: Kenneth J. TeKippe, Finance Director

RE: Un-approved Minutes of the April 27, 2011 Meeting of the Investment Oversight Advisory Commission

DATE: April 28, 2011

Commission members 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 Acting Chairperson Gary Ruden. Finance Director Ken TeKippe, certified that the meeting was in compliance with the Iowa open meetings law.
2. Brad Chalmers moved that the minutes of the January 26, 2011 meeting be approved. The motion was seconded by Virgil Blocker and approved unanimously.
3. Chris Johnson and Taylor Harwood of U.S. Bank provided a handout which provided information on performance, holdings, maturity information and economic and financial markets review and outlook.

Taylor reviewed the U.S. Bank report. His comments included: continue to use a buy and hold strategy, returns in line with intermediate bond index, focus on agency market, Treasury returns have been higher, plans to reduce the cash holding (since City has no plans to add, withdraw or reallocate funds with managers), will invest in 12-15 month range when \$600,000 matures in June, good news in markets, strong corporate earnings, less interest in bonds, government, not consumers, have fueled the expansion with QEII which will end in June, project federal funds rates will begin to increase in third and fourth quarter of 2012 with 3-4% interest rate in 24-30 months and 5-6% interest rate in 48 months driven primarily by inflation.

Taylor Harwood confirmed that U.S. Bank is in compliance with the City's current investment policy.

4. Ken distributed investment return information for March 31, 2011, 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, 2011 market values and new rates.
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Ken distributed a handout of questions and answers relative to investing and deposit of public funds. In February, Dubuque Bank and Trust sold two sizeable investments that resulted in a realized loss of \$106,297 which adversely affected City cash basis investment returns. Realized loss was offset by discounted price of new bond purchase. New bond has shorter maturity. An email explaining bank decision was also distributed.

5. The Commission reviewed the March 2011 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 .40-.45% range. The City recently received \$10.5 million of property tax revenue. Principal and interest on City debt in the amount of \$7.3 million is due June 1, 2011.

The City has not issued any bonds in 2011, but will be doing so later this year. Prior bond proceeds continue to be spent along with drawdowns from State Revolving Loan Fund for some larger projects.

6. There was no communication from the public, commission or staff to report according to Ken.
7. The next meeting of the Commission is scheduled for Wednesday, July 27, 2011, at 3:00 p.m. in City Hall. A representative from First Community Trust will be invited to the meeting.
8. Virgil Blocker moved that the meeting adjourn. The motion was seconded by Brad Chalmers and approved unanimously. The meeting adjourned at 4:00 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 72nd quarterly report.

The IOAC members met on April 27, 2011. The transactions reviewed through March 31, 2011 appear to be in compliance with the Articles in the Investment Policy as further noted below. Two representatives from US Bank Mr. Taylor Harwood and Mr. Christopher Johnson came before IOC for their report on funds managed for the City. US Bank presented the performance review through April 25, 2011. Mr. Harwood stated that the YTD return is .08% gross of fees, which is above the YTD return of Barclay's Intermediate Govt. Bond Index of .02%. Mr. Harwood does not envision interest rates rising until 3rd or 4th quarter of 2012. Their current strategy is to keep short durations. They currently have a \$600,000 bond due in June with which they will reinvest in 12-15 month duration in anticipation of the higher rates when it is due. They are planning on reducing their current cash holdings and investing in short duration holdings. Mr. Harwood also stated that he thought S&P's recent negative outlook on US debt would have little to no effect on rates. Mr. Harwood concluded by stating that US Bank practices are in compliance with IOC policies.

Mr. TeKippe reviewed manager returns and fees for the year to date. Mr. TeKippe noted further that the City did not withdraw any funds from the managers since the last meeting and has no plans to do so in the near future. Mr. TeKippe also distributed a handout response from DB&T in relation to their recent early sale of two

sizable bond sales which resulted in a realized loss of \$106,297. This loss was offset by the discounted price of a new bond purchase with a shorter maturity.

~~The next IOC meeting date was set for July 27, 2011 and the presenter will be~~
First Community Trust.

Respectfully submitted,

Gary Ruden
Acting Chairman
Investment Oversight Advisory Commission