



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 July 27, 2011 Meeting of the Investment Oversight Advisory Commission

DATE: August 5, 2011

Commission members Stephen Reisdorf, Brad Chalmers and Paul Lassance were present. Ken TeKippe, Finance Director was also present.

1. The oath of office was administered to newly appointed commission member Paul Lassance at the City Clerk's Office prior to the meeting.
2. The meeting began at 3:00 p.m. in Conference Room A in City Hall. Ken indicated that Hiram Melendez and Gary Ruden would not be able to attend the meeting.
3. Finance Director Ken TeKippe, certified that the meeting was in compliance with the Iowa open meetings law.
4. Brad Chalmers nominated Hiram Melendez as chairperson of the commission and Paul Lassance seconded. Motion carried unanimously. Stephen Reisdorf agreed to serve as Chairperson for the meeting since Hiram not attending.
5. Brad Chalmers moved that the minutes of the April 27, 2011 meeting be approved. The motion was seconded by Stephen Reisdorf and approved unanimously.
6. Dale Repass and John Gonner of First Community Trust (FCT) distributed a handout which provided information on performance, economic and interest rate outlook, and five year treasury yield history.

Dale indicated the firm is in its eleventh year and is a federally chartered trust company which continues to grow with \$425 million in assets (25% growth in last year). Firm does not accept deposits or make loans. FCT continues to receive good exam results and has two outside audits per year and is financially strong. Plan to add two employees in the next year, increasing from 10 to 12, no changes in management in past year.

John reviewed the handout. FCT has outperformed the index since firm began managing city funds. 2010 investment return was not as good as the index. FCT received additional dollars to invest due to a reallocation from other managers in the third quarter. The yields at that time were approximately 1.03% and quickly rose to 2.04% after the funds invested which adversely affected return. Firm believes this is the only significant negative since an investment manager for the City. However, other managers may have gained in their returns from the situation since they liquidated and transferred assets to First Community Trust just prior to rates increasing.

Significant calls on bonds have occurred recently; expect lower rates to continue for some time, however don't expect rates to decline. Lots of liquidity/cash is in the system. Significant cash on corporate balance sheets; concerned about interest rates risk. Rates increasing to 3.5%-3.75% possible within the next couple years.

John Gonner confirmed that First Community Trust is in compliance with the City's current investment policy.

7. Ken distributed investment return and fee information as of June 30, 2011, for the four investment managers: Dubuque Bank and Trust, U.S. Bank, Dana Investment Advisors and First Community Trust. It was decided that all managers will be asked to provide duration information monthly.
8. Ken mentioned that the City plans to sell two bond issues on August 1 which will result in \$6.3 million and \$1.6 million of bond proceeds, however anticipate little interest from banks to invest proceeds until spent.

Ken also indicated that cash is a bit lower at this time due to a number of grant draw downs not being submitted or received for some large projects and the City has advanced funds to pay expenses. Ken indicated the City has not withdrawn funds from the managers since 2004. It may become necessary to draw down some funds during the next year. Attendees reviewed a local financial institution's current financial rating. Consensus of the group was that it may be beneficial to transfer funds to another local financial institution. Ken will review with the City Manager.

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, October 26, 2011, at 3:00 p.m. in City Hall. A representative from Dana will be invited to the meeting.
11. Paul Lassance moved that the meeting adjourn. The motion was seconded by Brad Chalmers and approved unanimously. The meeting adjourned at 4:20 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 73rd quarterly report.

The IOAC members met on July 27, 2011. The transactions reviewed through June 30, 2011 appear to be in compliance with the Articles in the Investment Policy as further noted below. Two representatives from First Community Trust (FCT) Mr. Dale Repass and Mr. John Gonner came before IOC for their report on funds managed for the City. FCT presented the performance review through June 30, 2011. Mr. Repass stated that FCT receives two audits per year and is deemed financially strong. Mr. Gonner reviewed performance and stated the City investments have outperformed the benchmark in 25 of the 30 months in which the index has a negative return and outperformed the benchmark 48% of the months in which the index has a positive return. The standard deviation of returns has been .543% as compared to the return of .643% for the Barclay's index of 1-5 year Government bonds. FCT believes the reason for the low returns is the timing of receiving additional funds to invest from the City. FCT believes the economy will improve in the second half of the year, and that rates will rise over the next 6-12 months which will create a challenging environment for the City's account. Mr. Gonner concluded by stating that FCT practices are in compliance with IOC policies.

Mr. TeKippe reviewed manager returns and fees for the year to date. Mr. TeKippe noted that the City plans to sell two bond issues on August 1 which will result in a total of \$7.9 million of bond proceeds; he does not see foresee much interest from the banks to invest these funds. Mr. TeKippe also noted that the City has not withdrawn duns from the managed funds since 2004, but it may become necessary to draw out some funds during the next year.

The next IOC meeting date was set for October 26, 2011 and the presenter will be Dana.

Respectfully submitted,

Stephen Reisdorf
Acting Chairman
Investment Oversight Advisory Commission