



TO: Members of City of Dubuque Investment Oversight Advisory Commission

FROM: Paul Lassance, Investment Oversight Advisory Commission
Ken TeKippe, Finance Director

RE: Un-approved Minutes of the October 26, 2011 Meeting of the Investment
Oversight Advisory Commission and Chairman's Quarterly Report

DATE: October 27, 2011

1. Commission members Paul Lassance, Gary Ruden and Brad Chalmers were present. Ken TeKippe, Finance Director, and Jean Nachtman, Assistant Finance Director, and Tami Lansing, Accountant were also present.
2. The meeting was called to order at 3:05 p.m. in Conference Room A in City Hall by Paul Lassance, who chaired the meeting. Finance Director Ken TeKippe certified that the meeting was in compliance with the Iowa open meetings law.
3. Gary Ruden moved that the minutes of the July 27, 2011, meeting be approved. The motion was seconded by Brad Chalmers and approved unanimously
4. Joe Veranth of Dana Investment Advisors provided a handout with information on the portfolio performance and allocation, economic outlook and review and holdings. Year-to-date total return (net of fees) for our portfolio is 1.60% well ahead of the three month Treasury Index (.04%) and one year Treasury Index (.48%). 2010 also had a good return, 2.51%. The effective bond duration is 0.51 years and the average months to coupon reset is 5.59. Dana has continued to increase investing in Treasury Inflation-Protected Securities (TIPS). TIPS are government-issued bonds that provide a hedge against inflation and provide liquidity. Currently 30% of the portfolio is invested in TIPS and Joe indicated that may increase to 35% in TIPS. Adjustable Rate Mortgages (ARM) rates continue to be attractive at five or seven years.

The average annual total returns since inception of account in 1989 is 5.19% versus the three month Treasury Index returns (3.67%) and one year Treasury Index returns (4.49%), have outperformed benchmarks with low risk.

Dana focuses on 1-2 year duration for investments whereas other managers focus on 3-5 year duration.

There continues to be a slowdown in U.S. economy, housing is slow, refinancing slowing down with consumer confidence dropping and high refinance fees. Joe believes that it is taking longer to get back to employment peak. It will take a tax rate increase and spending cuts to fix many of the current problems.

Unemployment and housing continue to be the two big issues. Dana expects interest rates to remain low for some time, Feds driving economy trying to keep short term assets down, however will let inflation go up.

Dana firm manages approximately \$3.4 billion, split equally between fixed and equity investments with around \$200 million for City accounts.

Joe confirmed that Dana is in compliance with the City's current investment policy.

5. Ken distributed investment return information for September 30, 2011, from the four investment managers: Dubuque Bank and Trust (DB&T), U.S. Bank, Dana Investment Advisors and First Community Trust. Also distributed a recap of manager/ custodian annual fees based on September 30, 2011 market values, all managers currently use same fee schedule.

The Commission reviewed the September 2011 quarterly reports prepared by Tami Lansing. Ken indicated that the City continues to use a high yield savings account option versus certificates of deposit. The accounts at DB&T and EDSB are providing rates greater than the six month CD bids. CDs for excess funds of Dubuque Metropolitan Area Solid Waste Agency are bid. This allows for continued monitoring of CD rates and also provides investment opportunities to local financial institutions. Continues to be little interest by local financial institutions in providing bids for certificate of deposit (Dubuque Bank and Trust and American Trust and Savings Bank normally always bid). Continuing to work with departments to request timely draws for grants.

The City recently received \$11.2 million from property taxes collected by county in September and distributed in October. Approximately \$3.5 million represents TIF payments with funds used to pay TIF debt or rebated to property owners.

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, January 25 2012, at 3:00 p.m. in City Hall. A representative from Dubuque Bank and Trust will be invited to the meeting.
8. Gary Ruden moved that the meeting adjourn. The motion was seconded by Paul Lassance and approved unanimously. The meeting adjourned at 3:50 p.m.