



**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 22, 2009 Meeting of the Investment Oversight Advisory Commission

**DATE:** July 23, 2009

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

1. The meeting was called to order at 3:00 p.m. in Conference Room A in City Hall by Finance Director, Ken TeKippe. Ken indicated that Hiram Melendez would not be able to attend the meeting. Finance Director Ken TeKippe, certified that the meeting was in compliance with the Iowa open meetings law.
2. Virgil Blocker moved that the election of a chairperson be delayed until the next meeting when the full commission is present. The motion was seconded by Gary Ruden and approved unanimously. Steve Reisdorf agreed to serve as acting chairperson for the meeting.
3. Hiram Melendez was reappointed and Brad Chalmers appointed for a three year term on the committee by the City Council beginning July 2009. The committee welcomed Brad Chalmers.
4. Virgil Blocker moved that the minutes of the April 22, 2009 meeting be approved. The motion was seconded by Gary Ruden and approved unanimously.
5. 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 and recent history of spreads.

Dale indicated the firm is in its ninth year and is a federally chartered trust company which continues to grow at \$40 to \$50 million per year. FCT continues to receive good exam results and has two outside audits per year. Recently the firm purchased their own building on Hillcrest which indicates their commitment to Dubuque. The firm continues to work with eight financial institutions including four local: East Dubuque Savings Bank, Premier Bank, Dutrac Community Credit Union and Dupaco Community Credit Union.

John reviewed the handout and provided the following comments: focused on the low risk low volatility investments; index has more volatility than the City portfolio; returns have beat the index overall for positive and negative returns since inception; Since firm began managing City funds, treasuries have outperformed government agency investments; yield curve has been steep for some time. There are additional treasury bonds available due to stimulus plans. Inflation concerns over increased money supply has been offset by a slow down in the velocity of the money supply. Higher unemployment percentage and longer lengths of unemployment along with a national rise in savings will work to keep inflation in check.

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

6. Ken distributed investment return information for June 30, 2009, 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 June 30, 2009, market values. Ken indicated the schedule of fees reflects Dana's recent decrease in fees which should save the City approximately \$8,000 per year. Ken spoke with American Trust about their custodian fees and American Trust agreed to reduce fees from .25 to .20% on the first \$1 million on each account. This change should save the City \$2,000 per year.
7. The Commission reviewed the June 2009 quarterly investment reports prepared by Jean Nachtman. Ken indicated that the City has continued to invest new funds or maturing investments in Certificates of Deposit (approximately 6 month maturities), due to higher returns than U.S. Treasuries. There are no U.S. Treasuries in the current portfolio, except for the reserve fund established for 2007 Port of Dubuque GO Bond. Certificate of deposit returns have been in the .78% range for recent purchases. The City has continued to borrow significant funds from State Revolving Fund (SRF) for water, storm and sanitary sewer projects.

Ken indicated that City has not withdrawn funds from the investment managers in the past few months and there are no plans to withdraw during next few months.

8. There was no communication from the public, commission or staff to report according to Ken.
9. The next meeting of the Commission is scheduled for Wednesday, October 28, 2009, at 3:00 p.m. in City Hall. A representative from Dana will be invited to the meeting.
10. Virgil Blocker moved that the meeting adjourn. The motion was seconded by Gary Ruden and approved unanimously. The meeting adjourned at 4:05 p.m.

From: City of Dubuque, Investment Oversight 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 Commission (IOC) respectfully submits the 65<sup>th</sup> quarterly report.

The IOC members met on July 22, 2009. The transactions reviewed through June 30, 2009 appear to be in compliance with the Articles in the Investment Policy.

Mr. Dale Repass, CEO and Mr. John Gonner, CFA, Senior Vice-President from First Community Trust came before the Commission for the annual review of the funds they manage for the City. Mr. Gonner presented information and answered questions relative to the Trust's investment management work. Mr. Gonner confirmed that investments with the Trust are in compliance with the City's investment policy. Mr. Gonner reviewed the portfolio performance, treasury yield curve comparison, economic trends and fixed income conditions and outlook. Mr. Gonner stated that the City portfolio has experienced better returns with significantly lower volatility than a comparative index. Mr. Gonner is comfortable that inflation and interest rates will remain low.

In our follow-up review of fees for advisory and custodial services, the IOC had a lengthly discussion about the cost of services. It was noted that Dana had reduced its fee and American Trust custodial fees were also slightly reduced. Changes in technology should have lowered their cost for these services in the opinion of the IOC. Based on what is being provided with these services, the IOC will revisit at a later date the possibility that the City Staff go out for Request for Proposals to insure that the City is getting the best price and services for these fees.

Ken TeKippe, Finance Director reviewed the schedule of funds managed by his department and presented information on fees charged by the outside portfolio managers as previously stated. The IOC reviewed activity on Certificates of Deposits (CD) that are being rolled over. Bidding on new CD issues continues to be very weak. Rates on new CD are at record low levels.

The IOC wishes to recognize Paul Lassance for his many years of service to the City as a member and Chairman of the IOC. His dedication and service have been outstanding.

Member Stephen V. Reisdorf chaired the July 22, 2009 meeting. It is expected that at its October 2009 quarterly meeting the IOC members will elect a permanent Chairman.

Respectfully submitted,

Stephen V. Reisdorf  
Chairman pro-tem  
Investment Oversight Commission