



Masterpiece on the Mississippi



2007

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 October 28, 2009 Meeting of the Investment Oversight Advisory Commission

DATE: November 3, 2009

1. Commission members Steve Reisdorf, Virgil Blocker, Gary Ruden, Hiram Melendez 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 3:00 p.m. in Conference Room A in City Hall by Acting Chairperson Steve Reisdorf. Finance Director Ken TeKippe certified that the meeting was in compliance with the Iowa open meetings law.
3. Steve Reisdorf nominated Virgil Blocker for Chairperson. Virgil respectfully declined. Virgil nominated Steve Reisdorf and Hiram Melendez seconded. Motion carried unanimously.
4. Gary Ruden moved that the minutes of the July 22, 2009, meeting be approved. The motion was seconded by Virgil Blocker and approved unanimously.
5. Robert Leuty of Dana Investment Advisor provided a handout with information on the portfolio performance, holdings and third quarter market review. Year-to-date total return for our portfolio is 5.78% well ahead of the three month Treasury (.17%) and one year Treasury (.65%). The effective bond duration is 0.47% and the average months to coupon reset is 5.18. Our portfolio contains 30 year maturities with annual adjustments off the one year Treasury. Rate of readjustments lag market. As market rate falls value of portfolio increases. Bonds are held to maturity since no incentive to trade in this environment. Because of volume Dana is able to buy at round lot prices and allocate purchases to individual portfolios. The portfolio has no sub-prime exposure and bonds are all AAA rated. Bonds in portfolio are all valued at or above market.

Dana expects the return to drop in the future with the annual resets. The average annual total returns since inception of account on June 30, 1989 are 5.79% (20 years) versus the three month Treasury returns (4.30%) and one year Treasury (4.87%), significantly outperformed benchmarks with low risk.

Outlook Return: Fed is not in a rush to increase rates. Dana does not expect interest rates to increase until unemployment stabilizes sometime in 2010. When Fed does begin to tighten credit, expect 50-75 basis point increment. Robert expects a $\sqrt{}$ (square root) bottom with flat line through 2011. Unemployment is keeping growth rate slow. Customers are still retrenching. GDP is not robust.

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

6. Ken distributed investment return information for September 30, 2009, 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, 2009 market values. A discussion was held on fees. Ken may contact DB&T since they have the highest average fees to review if they would be willing to lower rates.

Ken will draft a letter to the four managers to see what response we get to considering one set of fees for all managers and (perhaps .35%) and offer to pay fees monthly instead of quarterly.

The Commission reviewed the September 2009 quarterly investment reports prepared by Jean Nachtman. Ken indicated that the City has begun to use a savings account option versus certificates of deposit. DB&T Premier and EDSB Advantage are providing rates considerably greater than the six month CD bids (area of 1%). The rates are not fixed and the City is limited to number of withdraws per month. It is anticipated that the City will utilize investments in this vehicle and lower investment in CD's until the CD rates are more attractive.

The City will be receiving approximately \$14 million in bond proceeds in November. The bond sales were for various projects (largest being new parking ramp on Bluff Street) and had favorable interest rates (3.23% and 3.29%). Prior bond debt (\$9 million) was refinanced due to favorable interest rate (2.66%). At the current time it appears only one local financial institution will be bidding for investing the bond proceeds. Local banks do not have need of cash at this time due to their loan demand.

The Port of Dubuque parking ramp bond proceeds have not been closed due to a number of construction issues not resolved with contractor, architect and engineers and construction manager.

The City will borrow approximately \$8 million through State Revolving Fund (SRF) to finance the city wide water meter change out program. SRF has a 3% annual interest rate with a 0.25% annual administrative fee and a 1% loan origination fee. The City is also receiving \$1 million in SRF forgivable loan for the project.

It was decided that any questions from committee members about City investments or for the managers could be forwarded to Ken TeKippe or Jane Glennon 7-10 days prior to quarterly meeting for distribution with agenda.

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, January 27 2010, at 3:00 p.m. in City Hall. A representative from Dubuque Bank and Trust will be invited to the meeting.
9. Virgil Blocker moved that the meeting adjourn. The motion was seconded by Hiram Melendez and approved unanimously. The meeting adjourned at 4:20 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 66th quarterly report.

The IOC members met on October 28, 2009. The transactions reviewed through September 30, 2009 appear to be in compliance with the Articles in the Investment Policy as further noted below. Mr. Robert Leuty from Dana Investment Advisors, Inc. came before the Commission for the annual review of the Funds Dana manages for the City. Mr. Leuty presented information and answered questions relative to Dana's investment management work. Mr. Leuty stated that investments with Dana are in compliance with the IOC investment policy as they are AAA rated and of relative short duration. Mr. Leuty reviewed the portfolio performance, treasury yield curve comparison, economic trends and fixed income conditions and outlook. Mr. Leuty stated that the City portfolio is made up of short duration securities for a 5.78% yield for nine months of 2009. There does not appear to be any credit issues with the portfolio as our securities are high quality. Mr Leuty expects interest rates to stay low at least through 2010. It was felt this is due mainly to continued unemployment levels and slow GDP increases. In our follow-up review of fees for advisory and custodial services, Mr. TeKippe will craft additional inquiries to our service providers intended to result in the most reasonable fee attainable. The IOC will be changing its policy at our next meeting in order to comply with State auditors findings that one of our investment managers had three taxable municipal bonds in its portfolio. These were sold and we are now in full compliance with the state. Due

to continued weakness in rates for new CD issues, Mr. TeKippe requested and received "Investment Savings Accounts" in lieu of certificates of deposits from two banks. These vehicles will provide greater interest income than current CD levels would provide. There was a valuable flow of questions and answers at the meeting with the IOC manager (Dana) as well as Finance Department staff. It is expected this type of interchange will continue in future meetings.

Member Stephen V. Reisdorf was elected Chairman and is appreciative of the confidence placed in him by the IOC members.

Respectfully submitted,

Stephen V. Reisdorf
Chairman
Investment Oversight Advisory Commission