



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 27, 2010 Meeting of the Investment Oversight Advisory Commission

DATE: October 29, 2010

1. Commission members 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 Break Room in City Hall by Hiram Melendez, who chaired the meeting in Steve Reisdorf's absence. 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 28, 2010, meeting be approved. The motion was seconded by Virgil Blocker and approved unanimously.
4. Joe Veranth of Dana Investment Advisors provided a handout with information on the portfolio performance and allocation, holdings and economic outlook and review. Year-to-date total return for our portfolio is 2.20% well ahead of the three month Treasury (.10%) and one year Treasury (.76%). The effective bond duration is 0.44% and the average months to coupon reset is 5.97. Dana has recently begun investing in TIPS (Treasury Inflation-Protected Securities). TIPS are government-issued bonds that provide a hedge against inflation and provide liquidity. Currently 20% of the portfolio is invested in TIPS and Joe indicated that may increase to 30% in TIPS. Joe also indicated that they may go for longer duration, possibly three to four years versus current one to two year. The portfolio has no sub-prime exposure and bonds are all AAA rated. Bonds in portfolio are all valued at or above market.

The average annual total returns since inception of account in 1989 is 5.64% versus the three month Treasury returns (3.84%) and one year Treasury (4.68%), outperformed benchmarks with low risk.

Dana provided a graph that indicates that the US is taking longer to recover from previous recessions. Appealing to the risk adverse investors, there is currently approximately \$30-\$50 billion being issued and invested in bonds monthly. There is currently 1.3 trillion in debt, equating to approximately 10% of GDP; this cannot continue if the economy is looking to recover from the recession.

Outlook Return: Fed wants some inflation, possibly up to 2%. Dana believes that it will take a tax rate increase to fix many of the current problems. Unemployment at year end might not be as bleak as originally expected. Current problems with Fannie Mae and Freddie Mac may work themselves out in time as the housing market turns around and values increase with inflation. Dana expects interest rates to remain low for an extended period.

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

5. Ken distributed investment return information for September 30, 2010, 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, 2010 market values. A discussion was held on custodial fees.

All four managers are currently on the same fee schedule and are deducting fees monthly. Custodian also deducting fees monthly.

The Commission reviewed the September 2010 quarterly investment reports prepared by Tami Lansing. Ken indicated that the City continues to use a savings account option versus certificates of deposit. DB&T and EDSB Advantage are providing rates considerably greater than the six month CD bids. For the majority of short-term investments, the City bids CD's for some funds. This allows for continued monitoring of CD rates and also provides investment opportunities to local financial institutions.

The City recently received \$9.2 million from property taxes collected by county. Approximately \$1 million was from Diamond Jo that will be utilized for debt payments on parking ramp adjacent to Diamond Jo.

Two additional projects that recently started are being funded with SRF Loans: Water Pollution Control Plant and Lower Bee Branch Stormwater Project.

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 26 2011, at 3:00 p.m. in City Hall. A representative from Dubuque Bank and Trust will be invited to the meeting.
8. Virgil Blocker moved that the meeting adjourn. The motion was seconded by Gary Ruden and approved unanimously. The meeting adjourned at 4:10 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 70th quarterly report.

The IOAC members met on October 27, 2010. The transactions reviewed through September 30, 2010 appear to be in compliance with the Articles in the Investment Policy as further noted below. A representative from Dana Investment Advisors came before IOC for their report on funds managed for the City. Mr. Joe Veranth thanked the IOC for letting Dana manage City funds since 1989. Mr. Veranth presented the performance review through September 30, 2010. Mr. Veranth stated that, in the 21 year period Dana has managed funds for the City, the average annual return is 5.64% which is 1.80% above the average return on the three month treasury and .96% above the average return on the one year treasury index. This was done primarily through their 'buy and hold' strategy and their investment in mortgage backed bonds. Mr Veranth noted that Dana is currently adding TIPS (Treasury Inflation-Protected Securities) to the portfolio which adds liquidity and cheap inflation protection. Mr. Veranth noted that he expects rates to stay low for an extended period of time. Mr Veranth concluded by stating that Dana practices are in compliance with IOC policies.

Mr. TeKippe reviewed manager returns and fees. Mr. TeKippe noted further that U.S. Bank and Dana had both transferred its share of funds for management to First Community Trust (FCT), making all transfers to FCT complete.

The IOC next meeting date was set for January 26, 2011 and the presenter will be Dubuque Bank and Trust.

Respectfully submitted,

Hiram Melendez
Acting Chairman
Investment Oversight advisory Commission