

TO: Members of City of Dubuque Investment Oversight Advisory Commission

FROM: Steve Reisdorf, Investment Oversight Advisory Commission
Kenneth J. TeKippe, Finance Director

RE: Un-approved Minutes of the January 25, 2012 Meeting of the Investment Oversight Advisory Commission and Chairman's Quarterly Report

DATE: January 27, 2012

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

1. Steve Reisdorf acted as chair for the meeting in Paul Lassance absence.
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 administered the Oath of Office to new commission member Ashlie Simionson.
4. Gary Ruden moved that the minutes of the October 26, 2011 meeting be approved as written. The motion was seconded by Brad Chalmers and approved unanimously.
5. Andrew Douglas, Senior Vice President, Chief Investment Officer; Michael Flood, Assistant Vice President, Investment Officer and Rita McCarthy, Vice President, Senior Wealth Advisor of Dubuque Bank and Trust provided a handout with information on 2011 returns and holdings.

Andrew indicated that the 2011 YTD returns of 4.92% trailed long term and intermediate indices due to restrictive nature of City's investment policy but was higher than the short term indices. He does not project interest rates going up in 2012, little room for rates to decrease though, and plan to keep short durations. Current portfolio makeup is 75% government securities, 22% mortgage backed securities and 3% cash. Andrew anticipates that a QEIII will focus on mortgage relief and portfolio is in a position to move into mortgages to take advantage of

potential capital gains. Announced today that federal funds rates will be near 0% until 2014. There was considerable discussion on the ETF investment in the portfolio.

Andrew confirmed that Dubuque Bank and Trust is in compliance with the City's current investment policy.

6. The Commission reviewed the December 2011 quarterly investment reports prepared by the Finance Department. The City has continued to invest new funds or maturing investments in the high yield savings accounts and some Certificates of Deposit (approximately 6 month maturities for the Dubuque Metropolitan Area Solid Waste Agency - DMASWA). Recent interest rates for certificates of deposit acquired have been in the .25-.30% range. Minimal interest continues from local banks for accepting City funds. Ken distributed a recap of interest rates of high yield savings account that indicates a significant drop over past 13 months. Two bond sales (approximately \$12 million) will occur on February 6th and anticipate little interest from banks to accept funds until spent.
7. Ken distributed investment return information 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 December 31, 2011, market values. Information on returns gross of fees for the past nine calendar years (2003-2011) was also distributed. The returns for the past nine years will be provided to the individual managers.

Ken TeKippe indicated City currently has considerable unspent bond proceeds for a number of borrowings. Borrowings continue through the State of Iowa Revolving Loan Fund for a number of large projects including: Water Pollution Control Plant Project, Lower Bee Branch and Water Meter Replacement Project. SRF loans require spending City funds for projects and requesting reimbursement after expenses incurred.

Ken indicated that City did not withdraw funds from the four investment managers since the last meeting and there are no plans to withdraw or add to funds during next few months, but may need to withdraw funds late in calendar year 2012.

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, April 25, 2012, at 3:00 p.m. A representative from U.S. Bank will be invited to the meeting.
10. Gary Ruden moved that the meeting adjourn. The motion was seconded by Brad Chalmers and approved unanimously. The meeting adjourned at 3:55 p.m.