



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 24, 2012 Meeting of the Investment Oversight Advisory Commission and Chairman's Quarterly Report

DATE: November 1, 2012

1. Commission members Paul Lassance, Gary Ruden and Brad Chalmers were present. Ken TeKippe, Finance Director, and Jean Nachtman, Assistant Finance Director were also present.
2. The meeting was called to order at 3:00 p.m. in Conference Room II in City Hall Annex by Paul Lassance. 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 25, 2012, 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, yield curve, economic update and current holdings. Year-to-date total return (gross fees) for our portfolio is 1.86% well ahead of the three month Treasury Index (.07%) and one year Treasury Index (.18%). The effective bond duration is 0.56 years and the average months to coupon reset is 6.34. 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 20% of the portfolio is invested in TIPS and Joe indicated that may increase to 25% in TIPS.

The average annual total returns since inception of account in 1989 is 5.06% versus the three month Treasury Index returns (3.51%) and one year Treasury Index returns (4.30%), have outperformed benchmarks with low risk.

In the past, Dana focused on 1-2 year duration for investments whereas other managers focus on a bit longer duration, perhaps 3-5 years.

Joe provided the following comments on the fixed income market: Treasury yields are now back close to even for the year on healthier stock returns and increasing commodity prices, U.S. fiscal flexibility is low, housing and unemployment complicate monetary policy, driving the Fed to keep monetary policy loose, fed has now reinforced 'zero' interest rate policy for the next three years and Fed has stated inflation is the lesser evil. GDP growth for second quarter dropped to 1.25%, only two quarters over 2.60% growth since recession ended. Corporations are still holding cash and paying down debt. Housing recovery should help the economy.

Dana firm manages approximately \$3.7 billion, within approximately 60% in fixed investments utilizing four strategies.

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

5. Ken distributed investment return information for September 30, 2012, 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, 2012 market values, all managers currently use same fee schedule. Information on interest rates for the two high yield savings accounts was also distributed.

The Commission reviewed the September 2012 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 continue to provide rates slightly higher 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). It was requested that the interest rate and maturity on the U.S. Treasury obligation held in the Debt Service Reserve Fund for Port Ramp be detailed in future reports. Additional bonds will be sold on November 5, 2012 with the proceeds to the City in late November. Hopefully there will be interest by a number of local banks to invest.

The City recently received \$10.5 million from property taxes collected by county in September and distributed in October. Approximately \$1.6 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. Rick Runde, Finance Officer with Archdiocese of Dubuque, has applied for the open position on the Iowa Oversight Advisory Commission. Rick's experience and background should be beneficial to the committee and City.
8. The next meeting of the Commission is scheduled for Wednesday, January 23 2013, at 3:00 p.m. in City Hall. A representative from Dubuque Bank and Trust will be invited to the meeting.
9. Brad Chalmers moved that the meeting adjourn. The motion was seconded by Gary Ruden and approved unanimously. The meeting adjourned at 4:20 p.m.