

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 23, 2013 Meeting of the Investment Oversight Advisory Commission and Chairman's Quarterly Report

DATE: October 28, 2013

1. Commission members Paul Lassance, Gary Ruden, Brad Chalmers and Rick Runde were present. Ken TeKippe, Finance Director, and Tami Lansing, Accountant 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. Brad Chalmers moved that the minutes of the July 24, 2013, meeting be approved. The motion was seconded by Gary Runden and approved unanimously
4. Robert Leuty of Dana Investment Advisors provided a handout with information on the portfolio performance and allocation, index total return comparison, economic update, bond portfolio observations and list of current holdings. Robert noted the safety objectives for the fund. The effective bond duration is 0.87 years and the average months to coupon reset is 6.60 reflect the very conservative nature of fund. Dana has maintained investing in Treasury Inflation-Protected Securities (TIPS). 20% of portfolio with 53% invested in mortgages bonds. 10% cash investment is higher than normal due to timing of payments on mortgages. TIPS are government-issued bonds that provide a hedge against inflation and provide liquidity.

The average annual total returns since inception of account in 1989 is 4.90% versus the three month Treasury Index returns (3.40%) and one year Treasury Index returns (4.18%), have outperformed benchmarks with low risk.

Robert provided the following comments on the fixed income market: lowest rates in generation, have a AAA credit rating in bonds, federal fund rates established by Ben Bernanke to be retained at low levels for awhile, no changes in philosophy should Janet Yellen replace Bernanke.

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

5. Ken distributed investment return information for September 30, 2013, 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, 2013 market values, all managers currently use same fee schedule. Interest rates for the two high yield savings accounts were reviewed.

Response from American Trust and Savings Bank relative to maintaining current custodian fees in lieu of investment managers recently reducing their fees was discussed.

The Commission reviewed the September 2013 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 limited 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). Approximately \$28.6 million unspent bond proceeds at end of September.

The City recently received \$12.4 million from property taxes collected by county in September and distributed in October. Approximately \$4.0 million represents TIF payments with funds used to pay TIF debt or rebated to property owners.

6. The letter from Dubuque Bank and Trust on their investment strategy was discussed briefly with plans to address at January 22, 2014 meeting with Dubuque Bank and Trust representatives scheduled to attend.
7. Tami explained possible options to receiving reports electronically in future months. Committee members present willing to receive information electronically with hard copies available for the quarterly meetings. Will review in a 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, January 22 2014, at 3:00 p.m. in City Hall. A representative from Dubuque Bank and Trust will be invited to the meeting.
10. Gary Ruden moved that the meeting adjourn. The motion was seconded by Rick Runde and approved unanimously. The meeting adjourned at 4:10 p.m.