



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 April 22, 2009 Meeting of the Investment Oversight Advisory Commission

DATE: April 29, 2009

Commission members Paul Lassance, Steve Reisdorf, Hiram Melendez, Virgil Blocker and Gary Ruden were present. Ken TeKippe, Finance Director, and Jean Nachtman, Assistant Finance Director, were also present.

1. The meeting was called to order at 3:00 p.m. in Conference Room A in City Hall by Chairperson Paul Lassance. Finance Director Ken TeKippe, certified that the meeting was in compliance with the Iowa open meetings law.
2. Virgil Blocker moved that the minutes of the January 28, 2009 meeting be approved. The motion was seconded by Hiram Melendez and approved unanimously.
3. Mr. Nick Zimmerman, Vice President Relationship Manager and Michael Maloney, Senior Portfolio Manager of US Bank provided a handout which provided information on performance, maturity distribution and fixed income market outlook.

Michael stressed the high quality assets in our portfolio (AAA) and that there are no safety worries. Thoughts include: do not want to buy long-term at this time, believe treasurers' and agencies rates will improve, economy will turn around, but not sure of the price, may take a few years for returns to increase, everyone wants safety, period of deflation with housing prices going down.

Michael Maloney confirmed that US Bank is in compliance with the City's current investment policy.

4. Ken distributed investment return information for March 31, 2009, 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 March 31, 2009, market values.

5. The Commission reviewed the March 2009 quarterly investment reports prepared by Jean Nachtman. Recent interest rates for certificates of deposit acquired have been extremely low recently, less than 1%. A summary of 51 investment quotes for certificates of deposit bids in the current fiscal year was distributed. U.S. Bank has recently not been bidding on certificates of deposit due to amount of government funds held by their bank statewide. The City recently received \$8.0 million of property tax revenue that provided a source of funds to invest. The City continues to spend escrow and bond funds relative to parking facility adjacent to the Diamond Jo Casino in the Port of Dubuque. Additional drawdowns on borrowings via the State Revolving Loan Fund (SRF) continue for water, stormwater and sanitary sewer projects.
6. Committee discussed FDIC insured corporate bonds issued under the Temporary Liquidity Guarantee Program (TLGP). Manager's position is that the TLGP bonds, while issued by corporations, are more appropriately classified as government securities and provided a letter supporting their position. Committee decided to inform manager to liquidate corporate bonds without incurring investment loss. Committee still recognizes these investments as corporate bonds prohibited by city investment policy.
7. Discussed the issue of custodian misclassifying some securities and that one manager offered to provide custodian services free for assets they manage and two basis points for others. Also, reviewed the possibility of current custodian preparing monthly return information for four managers. The possibility of issuing an RFP for custodial services was discussed.
8. Ken received a call on April 21, 2009 from Jill Lucida, Chairperson of Investment Policy Certification Program for Association of Public Treasurers of the United States & Canada that our policy was recertified. A formal written letter will be sent to City.
9. Paul Lassance and Hiram Melendez terms on commission expire July 1, 2009. A form to reapply for the commission was provided to each.
10. There was no communication from the public, commission or staff to report according to Ken.
11. The next meeting of the Commission is scheduled for Wednesday, July 22, 2009, at 3:00 p.m. in City Hall. A representative from First Community Trust will be invited to the meeting.
12. Gary Ruden moved that the meeting adjourn. The motion was seconded by Virgil Blocker and approved unanimously. The meeting adjourned at 4:15 p.m.

From: City of Dubuque, Investment Oversight 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 Commission (IOC) respectfully submits the 64th quarterly report.

The IOC members met on April 22, 2009. The transactions reviewed through March 31, 2009 appear to be in compliance with the Articles in the Investment Policy.

Mr. Nick Zimmerman, V.P. of Business Development and Mr. Michael Maloney Senior Portfolio Manager from U.S. Bank came before the Commission for the annual review of the funds they manage for the City. Mr. Maloney presented information and answered questions relative to his bank's investment management work. Mr. Maloney confirmed that investments with U.S. Bank are in compliance with the City's investment policy. Mr. Maloney reviewed the portfolio performance, treasury yield curve comparison, economic trends and fixed income conditions and outlook. Mr. Maloney discussed his concerns about inflation as a result the Federal Reserve's efforts to increase money supply to stimulate the economy. A larger part of the portfolio has been invested in very short term financial instruments in anticipation of rising interest rates. The price of high quality short term bonds has gone up and correspondingly the yield fallen to the point where Mr. Maloney is uncomfortable to reinvest in longer term issues for only slightly higher yields. This prudent approach is appropriate given the high priority that is given to preservation of capital for the City's accounts.

In our review of fees for advisory and custodial services the IOC have a lengthily discussion about the cost of custodial services. It was noted that the City has not had any change in the pricing rate of custodial services since the present agreement was set up. Changes in technology should have lowered the cost for these services in the option of the IOC. Based on what is being provided with these services the IOC recommended that the City staff go out for Request for Proposals to insure that the City is getting the best price and services for this service.

Ken TeKippe, Finance Director reviewed the schedule of funds managed by their department and presented information on fees charged by the outside portfolio managers. The commission reviewed activity on Certificates of Deposits (CD) that are being rolled over. Bidding on new CD

issues has been very weak. Rates on new CD are at record low levels.

The IOC did receive communication from the Association of Public Treasurers concerning recertification of our Investment Policy.

Respectfully submitted

Paul Lassance

Paul Lassance
Chairman
Investment Oversight Commission