

**FINANCIAL ADVISORY BOARD**  
**Approved Minutes**  
**September 14, 2015 Meeting**

The September 14, 2015 meeting of the Financial Advisory Board was held at the City of Naperville Municipal Center in the NEU Conference Room located at 400 South Eagle Street, Naperville, IL 60540.

**Roll Call:**

**Board Members Present**

Ron Davidson, Chairman  
Nimish Bhatt  
Patrick Gannon  
Michael Isaac  
Charles Millington  
Michael Wik  
John Krummen – Council Ex-Officio

**Also Present**

Rachel Mayer, Finance Director  
Lynn Lockwood, Assistant Finance Director  
Erik Hallgren, Financial Services Supervisor  
Mike Piotrowski, Marquette Associates

**Board Members Absent**

Susan Wade

Public Forum – No Speakers

**I. Introduction**

Ron Davidson began the meeting at 6:05 p.m.

**II. Approval of Minutes**

The minutes of the August 10, 2015 meeting were approved with no modifications.

**III. Quarterly Review of Investments – Mike Piotrowski, Marquette Associates**

Mike Piotrowski reviewed the August 2015 flash report and also provided the 2Q15 executive summary report. As of August 31, 2015 the total portfolio assets were approximately \$64.7M. Overall the portfolio was flat for the three months ending August 31, 2015, however the portfolio saw gains for the calendar year to date time period ending August 31, 2015. The total return for the portfolio over this calendar year to date time period was +0.8% net of all investment fees, trailing the policy benchmark which returned +1.1%. The main reasons for this underperformance was due to investment manager underperformance by BMO/TCH and additional cash being held within the portfolio for cash needs. For the same calendar year to date time period J.P Morgan performed in line with their benchmark on a net of fees basis returning +1.3% versus the benchmark which returned +1.3% while BMO/TCH underperformed their benchmark on a net of fees basis returning +0.9% versus the benchmark which returned +1.3%. While having the same investment mandate, both of the investment managers philosophies and management styles continue to complement each other. The investment management fees for both of the managers remain very low and below industry standards.

Marquette and staff met with both investment managers prior to the FAB meeting. It was in this update meeting that they were informed by the J.P. Morgan representatives that Doug Swanson, lead portfolio manager for the J.P. Morgan portfolio, was going to be taking a personal leave of absence from the firm effective October 1, 2015. The announcement was new and additional details are limited. Marquette will follow-up with J.P. Morgan and provide additional detailed information to the FAB within the next few days.

#### **IV. City Financial Update**

Rachel Mayer, Finance Director, began with an overview of materials that were sent to board.

- Operations and Maintenance Quarterly Report
- General Fund by Department Quarterly Report
- Capital and Debt Service Quarterly Report
- Special Funds Quarterly Report

Members of the board and staff had active discussions regarding expenses, revenues and format of quarterly reports. Board would like to see more consolidated information. Rachel will follow-up with Board on what consolidation can be provided, while still providing beneficial information.

#### **V. Financial Principles and Recommendations**

The meeting then moved to the main topic of discussion, the City's Financial Strategy and Principles. Board mentioned that they were being asked to make recommendations without understanding the FY16 Budget; Rachel explained the budget was in the process of being developed and that Board will have a chance to review and comment at a future meeting.

Staff reviewed the assumptions with Board to determine if they are reasonable to achieve Principle #3.

Principle #3 – The City will actively seek to increase its reserves to twenty-five (25%) and reduce its debt by twenty-five percent (25%) in the next eight (8) years.

- A. For every .25% HRST added the City would receive \$4,250,000 in revenue
- B. Operational Expenses will increase by 3% each year
- C. City would be borrowing at a 3% interest rate for the next 8 years
- D. Borrowing would equate to approximately \$14.7 million each year
- E. City would add 1% inflation rate to HRST each year

Discussion ensued; Board agreed with above assumptions.

Staff then provided financial projections based on above assumptions and how debt would be repaid based on the assumptions below:

1. Do nothing
2. Implement HRST of .25%
3. Implement HRST of .50% without abatement
4. Implement HRST of .50% with \$2 million abatement

Lively discussion took place and covered topics such as; City's current debt policy and the possibility of revising. Questioned why they city wants to abate a portion of the debt service, Rachel explained some councilmembers thought we should give back to the residents. Rachel then walk thru how much it would cost a Naperville Resident if the above assumptions were put in place each year; based on .50% HRST with a \$2 million abatement. Assumption that 50% of HRST would come from residents; balance from individuals visiting city.

Total HRST = \$8.500 million 50% = \$4.250 million / 57,000 households =	\$ 74.56
Total Refuse and Recycling cost per household =	\$124.20
Credit if abatement was passed \$2 million / 57,000 households =	(\$ 35.09)
Total expense to household =	\$163.67

After further discussion on assumptions and determining Board agreed with all assumptions, the following motions were made.

1. Ron Davidson made a motion based on current assumptions that a HRST of .50% without an abatement would meet Principle #3.

Motion was seconded by Chuck Millington; passed unanimously

Board wanted to note; they agree there should be a sunset provision and understand Council will take action on this from dais on Tuesday evening (9/15).

2. Ron Davidson made a motion to concur with original refuse and recycling proposal to include fee on Utility Billing Invoice versus placing on property tax bill.

Motion was seconded by Michael Isaac; passed unanimously

**VI. Old Business**  
None

**VII. New Business**  
Discussion of how often Board should meet. There will be another meeting end of October date to be determined. A full schedule for next year will be worked on by staff.

**VIII. Items for Upcoming Meetings**  
Charles Millington suggested Board review the Debt Service Policy at the next meeting. This will be placed as an agenda item for the October Meeting.

**IX. Adjournment – 8:19 p.m.**