

FINANCIAL ADVISORY BOARD
Approved Minutes
May 9, 2016 Meeting

The May 9, 2016 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
Patrick Gannon
Michael Isaac
Charles Millington
Susan Wade
Michael Wik
John Krummen – Council Ex-Officio
Sarvasva Raghuvans, Student Member
Naina Prasad, Student Member

Also Present

Rachel Mayer, Finance Director
Lynn Lockwood, Assistant Finance Director
Erik Hallgren, Financial Services Supervisor
Mike Piotrowski, Marquette Associate
Dan Forbes, Speer Financial

Board Members Absent

Nimish Bhatt

Public Forum – No Speakers

- I. Introduction**
Ron Davidson began the meeting at 6:00 p.m.
- II. Approval of Minutes**
The minutes of the February 9, 2016 meeting were approved with no modifications.
- III. Quarterly Review of Investments – 1st Quarter Ended March 31, 2016 – Mike Piotrowski, Marquette Associates**
Mike Piotrowski reviewed the 1Q16 executive summary report. As of March 31, 2016 total portfolio assets were \$49.7M. The capital markets were extremely volatile to start the year. In regards to the fixed income markets specifically we saw a significant decrease in yields which drove bond prices higher. The portfolio had a return of +1.5% net for the first quarter, which in dollar terms was an investment gain of approximately \$750,000. Both investment managers met or exceeded their benchmarks for the quarter. BMO/TCH returned +2.4% net and JP Morgan returned +2.3% net. Their benchmark the BarCap Intermediate Govt/Credit Index returned +2.3%.

Mike reviewed the JP Morgan memo detailing additional changes to the portfolio management team for the Columbus based investment grade value driven team. Marquette will move JP Morgan to “On-Notice” status for a period of 6 months and continue to keep the FAB updated on the JP Morgan team and product performance.
- IV. Review and Discussion on Investment Policy – Mike Piotrowski, Marquette Associates**
Mike reviewed an asset allocation study, which looked at modeling possible future expected return and risk metrics for the current portfolio mix as well as additional asset allocations. The study showed that additional return could be added to the portfolio by diversifying the assets

into other asset classes. This return does come with some additional risks. A discussion was had about updating and expanding the current Investment Policy. Marquette will work with staff to draft language to be added to the Investment Policy to expand the permissible investment authority.

V. Discussion on 2016 Bond Issuance – Dan Forbes, Speer Financial

Dan Forbes reviewed and fielded questions on the proposed General Obligation Bonds Series for 2016 as will be presented to Council on May 17th. Along with obtaining General Obligation Bonds for 2016 for new projects the city is also considering refunding GO Series 2008 and GO Series 2009, this year, which will total \$62.0 million. The 2008 Series will yield an approximate savings of \$2.3 million or 9.85%, in present value savings. The 2009 Series will yield approximate savings of \$1.5 million or 6.78%, in present value savings. The Financial Advisory Board agreed with staff's recommendation to proceed with the refunding as long as Series 2008 netted at least a 7% savings and Series 2009 netted a 5% savings. Susan Wade motioned; Michael Isaac seconded and the vote was unanimous. FAB's recommendation will be incorporated into the Council's Agenda Item for May 17th.

VI. Update on Rating Agencies

The City had meetings with Standard and Poor's and Moody's rating agencies on Monday May 9th. Rachel Mayer stated that the presentations went well. The City should receive feedback from both agencies toward the end of May, which will be in time to go to market with the refunding and new bonds the City will be going to market with in June.

VII. Quarterly Review of Financial Performance – 1st Quarter Ended March 31, 2016

Rachel Mayer presented an overview of the 1st quarter financials. In 2016 the following new revenues were implemented; Refuse Fee, Home Rule Sales Tax, an electric rate increase, and the implementation of the PPA for electric rates. These are the main drivers in increased revenues over 2015. All funds in the 1st quarter had positive margins, the mild weather, below average spending on winter operations, along with water and electric spending less on consumables helped create these positive results for the 1st quarter.

Looking ahead the City has received the first allocation of HRST in April; the amount received was in-line with what was anticipated. The State's budget impasse continues slow payments from the State and delayed distributions are causing some revenues to be below budget. When the State passes a budget there should be a catch up. All revenues are being monitored. A few that are being more closely monitored due to pressure of consumption are; MFT, Local Gas Tax, and Telecom tax.

Preliminary actuarial public safety pension contributions are higher than anticipated. There are a couple of factors contributing to the increase; the lower than anticipated investment returns and more significant pressure on the mortality tables that have been updated in 2015. The IMRF will see a bit of a reduction for 2017.

VIII. Old Business

None

IX. New Business

The board along with Marquette will begin reviewing the Debt policy. Draft to be available at the next meeting

The board also requested more guidance and clarity on roles and responsibilities for the board. Rachel will discuss with the Mayor.

X. Adjournment - 7:49 p.m.