



City of Naperville

400 S. Eagle Street
Naperville, IL 60540
<http://www.naperville.il.us/>

Meeting Minutes - Final

Financial Advisory Board

Monday, October 28, 2024

6:00 PM

NEU

A. CALL TO ORDER:

B. ROLL CALL:

Also present: Raymond Munch, Finance Director; Darrell Blenniss, Water Utility Director; Brent Strumpf, Deputy Finance Director; Mike Piotrowski, Marquette Associates; Jack Sannes, Marquette Associates; Adithi Basapuram, Student Representative; Allen Xu, Student Representative

Present 7 - Thomas Gavin, Mark Gizzo, Edward Harvey, Josh McBroom, Jignesh Patel, Curtis Williams, and Jeff Walker

C. PUBLIC FORUM:

None

D. REPORTS:

Welcome new student representatives Adithi Basapuram and Allen Xu

Chairman Harvey welcomed two new student representatives to the Financial Advisory Board - Adithi Basapuram and Allen Xu.

Approve the minutes of the July 29, 2024 regular meeting

Chairman Harvey called for a motion to approve the minutes. Motion made by Gavin, seconded by Patel. Motion approved by unanimous voice vote.

Approve the minutes of the September 4, 2024 special meeting

Chairman Harvey called for a motion to approve the minutes. Motion made by Gizzo, seconded by Patel. Motion approved by unanimous voice vote.

Receive the 2024 3rd quarter investment report

Mike Piotrowski of Marquette Associates provided a high-level overview of the third quarter investment report. It was a positive quarter across all market segments. Fixed income had very strong returns as bond yields fell. Equities also remain strong while inflation continues to trend in the correct direction. The Financial Advisory Board could have more difficult quarters and discussions in the future as yields have already risen in the beginning of the fourth quarter. The uncertainty from the election is potentially adding to the market volatility.

Jack Sannes of Marquette Associates presented the third quarter investment report. Mr. Sannes highlighted the net investment change of approximately \$8.6 million during the quarter

reflected on page three of the report. The portfolio allocations are more conservatively positioned with an overweight to cash. The higher cash position helps mitigate volatility in the near term. Mr. Sannes noted the year-to-date return of 4.5%, which is ahead of the policy benchmark of 4.2%.

Receive the 2024 year-to-date budget report through September 30, 2024

Director Munch reviewed the year-to-date budget report through September 30. Munch noted that actuals are tracking close to budget. Revenues are beginning to normalize along with supply chain disruptions. Electric utilities is one of the few remaining areas that is still experiencing significant supply chain constraints. Director Blenniss stated that there is a lack of capacity for contractors due to the amount of work available. Blenniss noted that bids have already been released for 2025 Capital Improvement Program projects.

Review the proposed 2025 Annual Budget and Capital Improvement Program

Director Munch presented an overview of the 2025 Annual Budget and Capital Improvement Program. Munch stated that the total budget of \$641.88 million is a 3.3% increase from the previous year. The City-wide property tax rate is decreasing to 0.6279. The Board inquired about the property tax levy. It was noted that the City is only a portion of the property tax bill in addition to other local governments.

E. NEW BUSINESS:

Approve the tentative 2025 meeting schedule

Chairman Harvey called for a motion to approve the tentative schedule. Motion made by Gizzo, seconded by Jignesh. Motion approved by unanimous voice vote.

F. OLD BUSINESS:

Approve the recommendations for electric and water utility rates for 2025 through 2027

Director Munch discussed the proposed rates. The proposed electric rate adjustments remained unchanged. The recommended electric increases are 6.1% in 2025, 5.6% in 2026, and 5.6% in 2027. Based on feedback from the Financial Advisory Board at the September 4 meeting, staff worked with the rate study engineers and the City's financial advisor to model rates leveraging more debt over the next three years. The final recommended water increases are 12% annually from 2025 to 2027. Wastewater rate increases are recommended at 10% annually from 2025 to 2027.

The Board asked what happens if City Council rejects the proposed increases. Director Blenniss stated that staff would review and propose new options. The City Council could approve the rate proposals subject to certain changes. Munch also stated that staff gave City Council ample time to provide input and discuss the proposal.

The Board inquired about how the debt will be issued. Munch stated that staff discussed this with the City's financial advisor and ran multiple scenarios. The City issues debt as needed on a reimbursement basis. Blenniss also stated that the City continues to pursue outside funding such as federal grants.

The Board inquired about if we monitor failure rate costs. Blenniss stated that the City does monitor this but there are also service level issues. The more water

main breaks experienced the more it impacts residents and water quality.

Chairman Harvey called for a motion to approve the recommendations for electric and water utility rates for 2025 through 2027. Motion made by Gavin, seconded by Gizzo. Motion approved by unanimous voice vote.

G. ADJOURNMENT:

Chairman Harvey called for a motion to adjourn the meeting at 7:28 p.m. Motion made by Gavin, seconded by Gizzo. Motion passed by unanimous voice vote.