



Meeting Minutes - Draft

Financial Advisory Board

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Monday, January 29, 2024

6:00 PM

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**A. CALL TO ORDER:**

Chairperson Harvey called the meeting to order at 6:00 p.m.

**B. ROLL CALL:**

Also Present: Raymond Munch, Deputy Finance Director; Melanie Smith, Accountant; Mike Piotrowski, Marquette Associates; Avyay Parmeswaran, Student Representative; Soohyun Cho, Student Representative.

**Present** 6 - Thomas Gavin, Gautan Grover, Edward Harvey, Josh McBroom, Jignesh Patel, and Curtis Williams

**Excused** 1 - Jeff Walker

**Absent** 1 - Mark Gizzo

**C. PUBLIC FORUM:**

None

**D. REPORTS:**

Receive the 2023 4th quarter investment report

Mr. Piotrowski, Marquette Associates, presented the 2023 fourth quarter investment report. Piotrowski provided a brief overview of the current investment market and economic factors impacting performance of the fixed-income portfolio. As of Dec. 31, the total balance of cash and investments was \$209,396,795. Total returns in the fixed-income portfolio were positive at 4.9%, which beat the benchmark by 0.1%. On an individual basis, PFM performed better than Loop Capital with returns of 5.3% and 4.5%, respectively. As of Jan. 1, the Loop Capital portion of the NAperville portfolio has successfully transitioned to Mesirow Financial. Both money managers will be invited to the April meeting to present an update on their portfolio positions and market outlook.

Discuss the investment benchmarks for the City's fixed-income money managers

Mr. Piotrowski introduced the discussion on appropriately benchmarking the fixed-income portfolio. At present, the benchmark is the Bloomberg Intermediate US Government Index. Investment policy changes in 2018 allowed the money managers to invest in up to 30% in investment grade corporate bonds. Both money managers have made significant allocations to corporate bonds in

alignment with that change. Mr. Piotrowski offered the Bloomberg Intermediate US Government/Credit Index as an alternative benchmark that aligns with the current portfolio allocations.

Board Members discussed the two benchmark options, including the possibility of assigning different benchmarks to each of the money managers. Chairperson Harvey noted that the recent money manager selection process focused on the strengths of each manager and how they compliment each other. Mesirov has a significant experience in credit research, so a higher corporate bond allocation may be appropriate. While PFM has proven to be strong in the government fixed-income space.

The Board directed staff to research possible revisions to the Investment Policy and schedule a special meeting to consider changes, if needed. Mr. Piotrowski will work with staff to evaluate the current policy statements.

#### Receive the preliminary 2023 year-end budget report

Deputy Director Munch reviewed preliminary year-end budget report with the Board, focusing on the three major budget funds: the General Fund, Electric Fund and Water/Wastewater Fund. Munch noted that revenues were higher than expected in the General Fund due to outperformance in sales and income taxes. General Fund expenditures were slightly under budget. This will result in another significant increase to the General Fund cash balance. The Electric Fund is suffering from much lower than expected revenue as a result of energy conservation efforts. While there is some offset from savings on purchased power, the Electric Utility expenses still exceeded revenues by approximately \$10 million, resulting in a reduction in cash balance. The Water/Wastewater Utility saw revenue in line with expectations, and expenditures slightly below budget. The Water Capital Fund expenditures were higher than expected, but well below budget. Staff is coordinating a bond issuance for Q1 to reimburse some of the capital costs.

### **E. NEW BUSINESS:**

#### Approve the minutes of the October 30, 2023 meeting

Chairperson Harvey made a motion to approve the minutes, seconded by Grover. Motion approved by voice vote.

**The minutes were approved.**

### **F. OLD BUSINESS:**

### **G. ADJOURNMENT:**

Chairperson Harvey motioned to adjourn the meeting at 7:15 p.m., seconded by Williams. Motion approved by voice vote and meeting adjourned.