

MINUTES OF THE CITY MANAGEMENT INVESTMENT COMMITTEE

A meeting of the City Management Investment Committee was held in City Hall in the 6th floor conference room starting at 12:07 p.m. on February 26, 2024. In attendance, in person, were Committee members Director of Budget and Strategic Planning Peter Buryk, Director of Finance Christine Garczynski, City Debt Manager Alden Hope, and Chief Deputy City Attorney Adam Melita. Attending by remote electronic meeting service were Henry U. (Sandy) Harris, III of Cerity Partners and a Norfolk resident and Deputy City Manager, Catheryn Whitesell.

Also in attendance, in person, were City Treasurer Daun Hester, Leslie Weaber of PFM Asset Management, and Allison Corbally of PFM Asset Management. Attending by remote electronic meeting service were Floyd Simpson of PFM Asset Management and Nelson Bush of PFM Asset Management.

C. Garczynski presented, and the Committee reviewed, the minutes from the October 17, 2023, meeting of the Committee. A motion was made to approve the minutes. The motion was passed unanimously by acclamation vote.

A. Hope reviewed the January 31, 2024, Flash Report of the City's cash and investments. The report showed that, as of that date, the City had \$618M in total funds, with \$32M in cash. \$8M was earned from interest on cash, LGIP funds, and managed funds from October 2023 through January 2024. \$321M of the \$457M in LGIP funds are unrestricted. C. Garczynski reported that the City is in compliance with all applicable investment policies and the City is trying to keep its investments short.

A hard-copy packet entitled "Investment Committee Meeting," dated October 17, 2023, prepared by PFM Asset Management, and containing 95 slides, was distributed to all members during the meeting.

L. Weaber provided an update of the U.S. markets including the following topics:

- Fed members' dot plot suggesting possible 75 basis point reduction in the funds interest rate by end of 2024.
- Fed is still trying to get inflation lower.
- Wage growth is still strong.
- Shelter component of inflation is still sticky with January 2024 CPI number higher than expected.
- Review of Treasury curve suggests it is "still volatile".

N. Bush stated that PFMAM does not think rate cuts are coming. He stated that the market is simply ahead of itself. PFMAM does not expect the Fed to start talking about interest rate cuts.

Portfolio performance was reviewed. \$139M in funds are now in the portfolio, comprised of operating funds, SWIFT funds, and long-term investments.

Account summary on slides 20-21 of the packet was reviewed.

Performance as shown on Slide 26 was reviewed, showing return better than the benchmark since inception but underperforming a little bit in the last 3 months.

A. Corbally reviewed major markets for Q4 2023.

- S&P is way up, driven by Magnificent Seven tech companies.
- Emerging markets did not do well, in part due to problems in China.

Pension Trust fund realized a 10% return for Q4 2023. Portfolio has been rebalanced, now relying on all passive management funds. \$69M was in the portfolio as of end of December 2023. \$30M was moved to a money market on February 2, 2024.

F. Simpson reviewed the financial markets:

- We are currently in a lower growth environment.
- P. Buryk asked about going back to more active management if circumstances change.
- F. Simpson stated “no,” the passive approach limits risk and the Committee’s current directive to avoid additional risk is not consistent with active management.

C. Garczynski noted for the members that the next meeting of the Committee is Wednesday, May 29, 2024.

The Committee adjourned.

Respectfully submitted,

Adam Melita
Acting Secretary