

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, JUNE 19, 2019**

The Glastonbury Board of Finance with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, in attendance, held a regular meeting at 4:00 p.m. in the Meeting Room A, 2155 Main Street, Glastonbury, Connecticut.

Also in attendance were Nina Cousins, Accounting Controller, and Chris Kachmar from FIA.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman
Mr. James McIntosh
Mr. Walter Cusson {excused}
Mr. James Zeller
Ms. Jennifer Sanford

- 1. Public Comment Session (sign in sheet provided) *none***
- 2. Communication: Chris Kachmar from FIA to provide Pension Plan Portfolio Update and discuss Domestic vs. International Equities**

Mr. Kachmar reviewed the Retirement Income Plan discussion materials from FIA. He noted that on page 7, Wells Fargo should be listed there, not Bank of America, but the data is correct. Ms. Sanford asked how the investment-related fees compare to previous years. Mr. Kachmar said they are very similar because they have made very little changes in allocation.

Mr. Kachmar then reviewed some of the portfolio data points and performance numbers. Mr. Zeller asked whether they need to make any adjustments to meet their real estate target of 6%. Mr. Kachmar said that their current allocation of 5% is within their target range so there is no need for an action item. Mr. Soper asked Ms. Twilley if there have been any large distributions between the end of April to June 10th. Ms. Twilley said there would have been the normal monthly distributions during that time period.

Mr. Kachmar said that at the individual manager level, there are no recommended actions. Ms. Sanford asked if the 6% inflation hedge has been a constant target for several years. Mr. Kachmar said yes, but they are thinking of changing it to 2% by maintaining the Vanguard index and having a small window for inflation protection. He recommends taking out the \$2 million from the Van Eck account. Ms. Sanford expressed that it is not a good time for commodities and agreed that 6% sounds high.

Mr. McIntosh noted two factors he found significant, in regard to the inflation issue:

1. The period of expansion seems to be ending and, if that is true, the greatest risk of inflation may have passed, and deflation may be a greater risk in the future.

2. The Town's commitments are not particularly sensitive to inflation in the short term, so a few months of inflation will have very little effect on their costs.

Therefore, Mr. McIntosh concluded that the Town may not need inflation protections in the short term. Ms. Sanford noted that the protections are more for portfolio optimization. She also added that if one was worried about deflation, then stocks are not a great option either. She suggested the possibility of looking into real estate instead but would have to do research to see if that is the best option.

Mr. Kachmar then discussed the Town's globally-diversified portfolio. He remarked that over the past decade, domestic equities have been dominant over international equities. Mr. Kachmar recommended maintaining some international equities in a diversified portfolio, noting that the portfolios of other triple-A rated communities are comprised of about 60% domestic and 40% international equities. Ms. Sanford asked what percentage of Glastonbury's international equity is in emerging markets. Mr. Kachmar said about 25%.

Mr. Soper explained that though emerging markets are growing, their corporate profits are not, so he encourages reducing the international structure by 3-4% of its current rate, to comprise about 16-17% of their portfolio. He suggested that the Board waits a month or so to think about reducing their international equities and reducing the commodities sector (the Van Eck Fund). Mr. Kachmar understood Mr. Soper's perspective but cautioned that moving money from a lagging asset class to a high-performing market is a little counterintuitive from a balancing perspective. Ms. Sanford agreed with Mr. Soper and found his suggestion of 17% to be reasonable.

Mr. McIntosh asked why Russia is performing so well. Mr. Kachmar explained that it is because of oil. Energy makes up a large percentage of their investments. Mr. Soper requested that Mr. Kachmar send over some information for their next meeting so that the Board can make a decision about how to move forward with their equities.

3. **Communication: Minutes – May 15, 2019** *Accepted as presented.*

4. **Communication: Pension Report – April 2019**

Ms. Twilley reviewed the report dated May 17, 2019.

5. **Communication: Month End Investments – April 2019**

Ms. Cousins reviewed the report dated May 31, 2019. Mr. Zeller asked where he could look to see the breakdown of savings in the General Fund. Mr. Johnson said that it is in the CAFR (Comprehensive Annual Financial Report), but he can also share it with the Board in the future.

6. **Communication: Financial Summary for 11 months - May 2019**

Ms. Twilley reviewed the report dated June 13, 2019.

7. **Communication: Education Reconciliation – April 2019**

Ms. Cousins reviewed the report dated June 3, 2019.

8. **Communication: Capital Projects – May 2019**

Ms. Twilley reviewed the report dated June 13, 2019.

9. Communication: Self Insurance Reserve Fund – May 2019

Ms. Twilley reviewed the report dated June 3, 2019. Mr. Soper asked if there are any updates on how they will manage their self-insurance contributions. Mr. Johnson said that next year, they will hear proposals and speak with consultants. The main issue they will be addressing is should the self insurance reserve fund be in two columns or one. Mr. Zeller asked if the Town is locked into certain carriers. Mr. Johnson said there is an “or equal” provision on the Town’s side and that he believes the Board has similar provisions.

10. Communication: Transfer to Education for supplemental funding [SS10-222a] (report to be distributed at the meeting)

Ms. Twilley noted that this is just an administrative transfer, dated June 17, 2019.

11. Communication: Transfers Approved by Town Manager Since Last Meeting

Mr. Soper stated that he was not present at the last meeting where they agreed to order iPads for the Board. Ms. Twilley noted that the iPads have arrived and will be available to use at the next meeting. Mr. Soper said that he will use his own device, instead of having the Town provide him with an iPad.

In regard to 11E, Mr. Zeller asked if the Town classes that were canceled by the vendor will be rescheduled. Mr. Johnson said yes, they probably will be rescheduled.

12. Action: Transfers over \$5,000

Mr. Constantine asked about 12F. Mr. Johnson explained that in the current year, \$18,000 was budgeted in the operating revenue but they received an additional \$18,000. Therefore, they booked \$18,000 as operating revenue and \$18,000 as capital reserve. They will transfer the \$18,000 from the Capital Reserve Fund to Capital Projects (Public Safety Communications).

Mr. Zeller asked about 12E. Mr. Johnson said that they stretched a little beyond what they could achieve, and because it was a very rainy season, infiltration pushed up the gallonage.

Mr. Soper asked about 12C, inquiring why is it being transferred to the Capital Reserve Fund, as opposed to the General Fund. Mr. Johnson explained that for a number of years, capital projects have been funded through debt and transfer, which is essentially one budget. When there are savings in the debt service, they allocate that money into the Capital Reserve Fund. Mr. Zeller asked if there is any difference in the interest earned on funds in the Capital Reserve Fund versus the General Fund. Mr. Johnson said no.

Motion by: Mr. Soper

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council the transfer of funds, as listed in Item 12A.

Result: Motion passed unanimously (5-0-0).

Motion by: Mr. Soper

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of funds, as listed in Items 12B, 12D, 12E, and 12G.

Result: Motion passed unanimously (5-0-0).

Motion by: Mr. Soper

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council the transfer of funds, as listed in Items 12C and 12F.

Result: Motion passed unanimously (5-0-0).

13. Communication: Bank Collateralization Reports

Ms. Twilley reviewed the Bank Collateralization Report, dated June 14, 2019.

14. Action: Approval of Financial Institutions (report to be distributed at the meeting)

Ms. Twilley reviewed the report dated June 18, 2019.

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

Per Section 7-400 of the Connecticut General Statutes, the Glastonbury Board of Finance hereby recommends to the Town Council the investment pool (for short-term investments) and the securities broker-dealer (for investments in US Agency Funds) for their approval.

Result: Motion passed unanimously (5-0-0).

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

Per Section 7-402 of the Statutes, the Glastonbury Board of Finance hereby recommends to the Town Manager to authorize the use of the banking institutions and broker-dealer for demand deposits, certificates of deposits, and money market investments.

Result: Motion passed unanimously (5-0-0).

15. Communication: Memo re. Several Items

Mr. Johnson explained that, in regard to the aquatics facility, the Town Council will be looking at the particulars and costs next Tuesday. He will then circle back to the Board after their discussion.

16. Board of Finance member Committee Reports, comments and remarks (no action to be taken)

Mr. Johnson said that PBC met a week or two ago. There were presentations on the library addition and the high school kitchen. Mr. Soper asked about the Economic Development Commission. Mr. Johnson said that they keep a rolling list of approved facilities but noted that there are few pieces left to economically develop in Town. Mr. Zeller requested to see the list at the next meeting. Mr. Johnson agreed to provide it.

17. Adjournment

Motion by: Mr. Zeller

Seconded by: Mr. Constantine

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of June 19, 2019, at 5:44 p.m.

Result: Motion passed unanimously (5-0-0).

Respectfully submitted,

Lilly Torosyan

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Recording Clerk

For anyone seeking more information about this meeting, a video on demand is available at www.glastonbury-ct.gov/video; click on Public Broadcast Video On Demand, and an audio recording is available in the Finance and Administrative Services Office.