

**GLASTONBURY BOARD OF FINANCE  
REGULAR MEETING MINUTES  
WEDNESDAY, JULY 21, 2021**

The Glastonbury Board of Finance, along with Controller, Narae McManus, and Town Manager, Richard J. Johnson, held a regular meeting at 4:00 p.m. in Meeting Room A of Town Hall at 2155 Main Street, Glastonbury. The meeting was broadcast in real time via a live video stream.

**Roll Call**

***Members***

Mr. Constantine “Gus” Constantine, Chairman  
Ms. Jennifer Sanford, Vice Chairman {participated via phone}  
Mr. James McIntosh {participated via phone}  
Mr. Walter Cusson {arrived at 4:20 p.m.}  
Mr. Robert Lynn  
Mr. James Zeller

1. Public Comment Session: Comments pertaining to the call. *None*

2. Communication:

a. Minutes of June 16, 2021 (Regular Meeting)

***Minutes accepted as presented.***

b. Minutes of June 23, 2021 (Special Meeting)

***Minutes accepted as presented.***

3. Communication: Chris Kachmar from Fiducient Advisors {participated via phone}

a. Communication: June 2021 Performance Flash

Mr. Kachmar provided an update to the market performance of the portfolio. He explained that the fixed income this year has been a tale of two cities. In anticipation of the economy reopening, interest rates shot up initially. However, as recently as June, interest rates have come down a bit. It continues to be a fruitful time for equities. In the first 6 months of the year, large cap stocks were up 15% and small cap stocks were up 17%. International markets have slightly trailed domestic markets. Hopefully, with vaccination efforts continuing to take hold, economic activity will accelerate. Real assets have had a very strong year-to-date, as well. Generally, the markets have been performing well, year-to-date.

b. Communication: Updated Portfolio Balances

Mr. Kachmar noted that the Town pension plan is up 7.5%, a touch above benchmark. The Board’s action to rebalance the portfolio at the onset of the pandemic helped the returns. Mr. Lynn asked if their action to take on additional risk last year is the reason for the overperformance of the benchmark, not the actual selection of the plans within their plan design. Mr. Kachmar replied, not necessarily. While part of the contribution comes from the Board’s

actions, they are also receiving consistent manager contributions. Ms. Sanford noted that there was also a big outperformance due to Tesla, which is fading away. She asked for a comment on how their managers are doing. Mr. Kachmar explained that the managers have generally been performing consistently with their expectations. Tesla was one of the largest holdings in the Vanguard International Growth Fund not too long ago. However, the size of that holding has moved down recently.

Mr. McIntosh remarked that he is uncomfortable with an assumed rate of return of 6.25%. The Fund is realizing returns higher than they have built into the program. Not long ago, the Town's total reserve was less than \$100 million. It is now over \$200 million. They are piling up money and being told that it is necessary because the anticipated rate of return is low. He would like to look at this matter next spring. Mr. Kachmar stated that Milliman's expectations for markets are not too different from theirs. Industry moderates what they think will happen in the future. Ms. Sanford pointed out that their performance in the last 9-12 months is swamping all those numbers. Mr. McIntosh questions whether 6.25% is going to be the right projection for what occurs in the future. Ms. Sanford responded that liabilities are growing quickly too, not just assets.

Mr. Kachmar discussed the updated Retirement Income Plan as of mid-July. There was about \$637,000 in cash. The town is putting in the \$10.7 million contribution. They seek the Board's input and perspective on how that money gets invested. They have also moved to formally terminate the Templeton strategy. \$3 million must be set aside for liquidity needs. Therefore, he recommends putting approximately \$4.3 million of the \$8.3 million in fixed income and the other \$4 million to disperse \$3 million to domestic equity managers and \$1 million in international equity managers. He also recommends eliminating the Templeton Global Bond Fund altogether, whose monies would go to the Prudential Global Bond.

Mr. Lynn asked if the 5% in the inflation hedge was a number that they had increased already. Mr. Kachmar explained that they did recast the inflation hedge in March. Ms. Sanford inquired about raising the target in the commodities strategy. Mr. Kachmar stated that if the Board decided to put another \$1 million in there, that would be perfectly fine. The Board agreed to do that.

Mr. Kachmar's revised recommendation for the reallocation is the following: **\$4.3 million in fixed income, \$2 million in domestic equity managers, \$1 million in international equity managers, and \$1 million for inflation hedge/protection.**

*By consensus, the Board agreed with Mr. Kachmar's recommendation.*

Mr. McIntosh asked about the Barings Global Bond. He suspects that their real estate is mainly commercial, which he expects will take a big dip because of COVID-19. Mr. Kachmar stated that early returns in rental collections have been fairly solid. They also have multi-housing, warehouse, and other diversified non-commercial properties. It is a great diversification option, so they are still comfortable with Barings.

- c. Action: Recommendation to exit Templeton Global Bond and reallocate funds to the Prudential Global Total Return strategy.

**Motion by:** Mr. Lynn

**Seconded by:** Mr. Cusson

BE IT RESOLVED, that the Glastonbury Board of Finance hereby exits the Templeton Global Bond and reallocates funds to the Prudential Global Total Return strategy.

**Result:** Motion was passed unanimously {6-0-0}.

- d. Communication: Q2 2021 Governance Calendar – Investment Policy Statement Review

Mr. Kachmar explained that the policy statement is in good working order. There are no recommendations. Ms. Sanford stated that, following the asset allocations last fall, they performed the efficient frontier work. She asked if that would be possible again. Mr. Kachmar stated that they can run it for the Board again, if they so choose.

4. Communication: Pension Report – May 2021

Ms. McManus reviewed the report dated June 18, 2021. Mr. Lynn asked about the new valuation on liabilities. Mr. Johnson explained that they will receive a new valuation from Milliman based on the June 30 data, which will drive the July 1, 2022 ADC. Ms. Sanford asked how much the ratio is impacted by the move from 6.5% to 6.25% ROR. Mr. Johnson stated that they will get clarity on that in the fall. The valuation is typically issued in the fall, but having such a good year until June 30, they expect that the funded ratio will be even better than what it was.

5. Communication: Month End Investments – May 2021

Ms. McManus reviewed the report dated June 18, 2021. Mr. Zeller observed that they are still several months out from budget season: They are looking at returns of 2/10 of a percent. This year, they should seriously consider putting some portion of the General Unassigned Fund Balance into action. Mr. Lynn echoed, stating that they should look at how much money they have on hand and how much they should redeploy. Mr. Zeller stated that the Town's AAA bond rating is great, but it is not going to do much for them if we cannot borrow.

6. Communication: Financial Summary (Revenue & Expenditure) for 12 months - June 2021

Ms. McManus reviewed the report dated July 8, 2021. She pointed out that the year will likely end with a modest gain on operation, once all expenditures are booked. At the September meeting, they will provide an updated year-end report with variance to the budget, both operating and non-operating.

7. Communication: Capital Projects – June 2021

Ms. McManus reviewed the report dated July 7, 2021. Mr. Zeller stated that there are projects which are essentially completed but not closed out. He asked if there is any place that shows that on paper. Mr. Johnson stated that a review of such is performed and provided to the Board at year-end, typically in September. He does not have a subset list, but he listed a few projects that are almost closed out, such as the telephone system at the Town Hall.

8. Communication: Self Insurance Reserve Fund – June 2021

Ms. McManus reviewed the report dated July 6, 2021. There were 23 large loss claims: 15 for the BOE and 8 for the Town. Of those, 4 have exceeded the individual stop loss limit: 2 for the BOE and 2 for the Town. Mr. Lynn asked what the total aggregate stop loss is for the plan. Mr. Johnson stated, around \$2 million.

9. Communication: Elderly Homeowners Tax Credit Update

Ms. McManus reviewed the report dated June 18, 2021. 651 applicants were approved. \$630,000 in credits were granted. This is in line with what was approved in the prior year.

10. Communication: Transfers Approved by Town Manager Since Last Meeting (None)

11. Action: Transfers over \$5,000 (None)

12. Action: Land Acquisitions

a. Action: 10±-acre site off Welles Street (\$1.75m)

Mr. Johnson explained that the proposal is to purchase about 10 acres from St. Paul's Catholic Church. The land adjoins Town-owned land. There is a 10-year parking agreement which allows public use of the Church's parking lot, with the potential of renewal every 10 years for up to 50 years. The sale agreement has been executed. During the first five years of the agreement, there is a restriction on housing uses, but after five years, housing could potentially be included as an allowable use. All other uses, such as commercial, recreational, municipal open space, and agriculture are permitted. The bond authorization is \$3.1 million, and this action is \$1.75 million, so there is an adequate balance in the reserve. He clarified that the reserve is a bond authorization, not a cash allocation.

Ms. Sanford asked about the purchase process. Mr. Johnson explained the typical process, which involves issuing a short-term bond anticipation note, in order to consummate the purchase. They would then look to a longer-term bond at a future date. Mr. McIntosh asked about the property zone. Mr. Johnson stated that it was changed from the industrial zone to the Town Center mixed use zone. Mr. Zeller will support the action, but he is concerned that this is a very valuable piece of property for development. He does not know if the Town needs just another piece of land sitting there. They seem to have become the buyer of first resort.

Mr. Cusson asked for details about the parking. Mr. Johnson explained that, as per the agreement, it is a public parking lot with a few logical exceptions, such as Christmas, Easter, and Saturday afternoons. The church and the town would equally share maintenance costs for the parking lot, 50:50. Mr. Cusson asked what that would cost on a yearly basis. Mr. Johnson stated that, in all, it would likely cost about \$7000 a year, so \$3500 for each party. The paving would cost about \$145,000, which would also be split 50-50, and amortized over 20 years.

**Motion by:** Mr. Zeller

**Seconded by:** Mr. Cusson

BE IT RESOLVED, that the Glastonbury Board of Finance hereby allocates \$1.75 million for the purchase of the 10±-acre property off Welles Street, as set forth, to be paid for out of the Reserve for Land Acquisition and Preservation.

**Result:** Motion passed unanimously {6-0-0}.

b. Action: 1.18-acre site at 1361 Main Street (\$195k)

Mr. Johnson explained that this is the Earle Park property which was purchased back in 1980. The American Legion is looking to divest itself from the property and the parking lot. This is a hugely popular location at Earle Park. There were some easements acquired in 1980, but they do not provide the best access. There is a 5,000-square foot building, which the Legion will continue to use once a month for meetings for three years; after that, to be determined. They also have a private museum with a collection of memorabilia from various wars, which they will also continue to use for three years. After that, they will speak with the Council on a year-to-year basis. The building is not in bad shape, but down the road, various code accessibility issues have to be addressed and asbestos has to be removed. Currently, there are no town plans. The Council simply wanted to preserve their interests in that region.

Mr. Johnson stated that, in terms of funding, he took a cautious approach to this. He is concerned that because there is a parking lot and a building, he was not sure if that fully complied with the reasons to use the reserve. That is why he suggested using the General Fund to pay for this, instead of the Reserve for Land Acquisition and Preservation. The Council agreed with his reasoning. However, he acknowledged that it is not a bright line. Mr. Zeller and Mr. Lynn disagreed, stating that it is still an open space preservation.

Mr. Cusson stated that he has always supported preserving their General Unassigned Fund Balance. He asked if there has been any determination on putting the money back in at some point. Mr. Johnson stated that no consideration has been made to replace the funds. His concern was whether this was an appropriate use of the reserve. The Board opted to use the open space reserve instead of the General Fund.

**Motion by:** Mr. Zeller

**Seconded by:** Mr. Cusson

BE IT RESOLVED, that the Glastonbury Board of Finance hereby appropriates the \$195,000 from the Land Acquisition and Preservation Fund to purchase the property at 1361 Main Street, adjacent to the Earle Park.

**Result:** Motion passed unanimously {6-0-0}.

13. Communication: Borrowing for the Capital Program (requested by Ms. Sanford)

Ms. Sanford asked if they received \$10.4 million from the American Rescue Act. Mr. Johnson stated that the allocation to the Town is \$10.2 million, which is to be received in two lifts of \$5.1 million each: the first in May 2021, the second in May 2022. There are a certain family of permitted uses, but a number of them are not capital improvement projects at all. Many of them are COVID-19-related. There is a separate allocation of \$1.4 million to the BOE which has nothing to do with this action.

Ms. Sanford asked if decisions have been made on how to spend the money in that fund. Mr. Johnson will make a presentation in September with a long list of potential uses and allocations

with dollar amounts. He suspects that the Council will hold at least one public hearing on it. Mr. Zeller asked if the BOE will attend that meeting. Mr. Johnson stated that he can invite them. They are not under a particular time crunch to spend the money. They have to identify how the money will be allocated by December 2024, and they have until December 2026 to fully spend the money. Ms. Sanford noted that the Governor announced a \$5 million allocation to municipalities as part of the CARES Act and one of its uses could go towards crime. Mr. Johnson expects that some of that money could be used towards supplementing overtime for the police task force that was created to combat juvenile crime.

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

Mr. Constantine stated that the PBC has not yet met. Mr. Zeller asked for clarification about a statement made in the newspaper regarding the fundraising for the Cotton Hill mills. He was concerned that, if the Historic Commission struggles to raise that money, that the Town would become involved. Mr. Johnson explained that that is not the case. The Historic Society is raising money to shore up the walls. Nothing has changed regarding that matter and the Town's role. Mr. Cusson stated that his time serving on the Board is over at the end of this term. He has decided not to run for reelection.

15. Adjournment

**Motion by:** Mr. Zeller

**Seconded by:** Mr. Cusson

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of July 21, 2021, at 5:54 p.m.

**Result:** Motion passes unanimously {6-0-0}.

Respectfully submitted,

*Lilly Torosyan*

Lilly Torosyan

Recording Clerk

*For anyone seeking more information about this meeting, a video on demand is available at [www.glastonbury-ct.gov/video](http://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.*