

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, DECEMBER 15, 2021**

The Glastonbury Board of Finance, along with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, held a regular meeting at 4:00 p.m. via Zoom video conferencing. The video was broadcast in real time and via a live video stream.

Also present was Narae McManus, Controller, and Chris Kachmar from Fiducient Advisors.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Ms. Jennifer Sanford, Vice Chairman
Mr. James McIntosh
Mr. Walter Cusson
Mr. Robert Lynn
Mr. James Zeller

1. Public Comment Session: Comments pertaining to the call. *None*
2. Communication: Chris Kachmar from Fiducient Advisors

Mr. Kachmar explained that they are finalizing efforts on capital market assumptions across output classes. In the next few weeks, they will present to the Board the metrics they have run across different asset allocations. Ms. Sanford finds it helpful to look at the efficient frontier work in January, before the budget season begins. She asked if there is a reason why information is being provided later this year. Mr. Kachmar explained that this has generally been the timeframe they have operated on, but they can have the efficient frontier work done for the Board by their January meeting.

Mr. Zeller noted that, in previous years, the Board used to receive the information sooner in the year, typically in October. He asked if, moving forward, they could have it earlier to get more detail earlier in the budget cycle. He also noted that the reports they have received are one fiscal year behind, with information closed out in June 2020. He asked if there is a reason why they cannot have all reports as of the close of the current fiscal year. Mr. Johnson stated that, historically, the Town received the valuation from the actuaries in November. However, in recent years, that information has arrived later. He will talk to Milliman about having a November publication date for the valuation. Ms. Sanford remarked that Mr. Kachmar’s reports would be more meaningful if they had Milliman’s Glastonbury reports on time.

On the funded status, Mr. Kachmar stated that the Town is in good working order when looking at broad comparisons versus state averages. Regarding pension return, Ms. Sanford complimented Mr. Kachmar’s team for their efforts in getting Glastonbury to outperform the largest pensions in the country. Mr. McIntosh was shocked to see that accrued liabilities increased by \$26 million in one year. This is one example of why he is uncomfortable with the actuarial results, and he would like to examine the reasons for such a large increase with

Milliman. Mr. Kachmar pointed out that the new mortality tables accounted for a couple of the percentage points, but he defers the details of that question to the Milliman team.

Mr. Lynn asked if other towns are receiving information on a timelier basis. Mr. Kachmar stated that there is variability, but the Town's plan is well attended to. For the technical details around some of the numbers, he suggested that the Board discuss that with Milliman. Ms. Karp suggested putting together an educational packet for the BOE, the Town Council, and other bodies to review during the budget process which would help inform them of the work that the BOF has been doing.

Mr. Kachmar noted that it has been a mixed bag in the markets lately. Bonds are down through the end of November. US equities have fared better than the international markets. A couple of the managers have struggled recently, most notably, Jackson Square. He explained that Jackson Square has trimmed their portfolio a bit and done some repositioning. Their long-term track record is exceptional, so they still recommend maintaining the fund and staying the course. Mr. Zeller asked if it might be helpful to send out a communication about Jackson Square to members of the Town Council, so that they are not caught off guard when they see the numbers. Mr. Lynn asked if, in the long-term, they would be better off indexing. Mr. Kachmar agreed that the dynamic of mixing and matching is an important one, but he pointed out that the active managers have performed 50 basis points above the benchmark, net of manager fees.

Ms. Sanford noted that the last time the Board received manager performance reviews was in August. She asked if they could get that information monthly. During that period, Jackson Square was in the bottom 100th percentile. She did not see that until a month into the underperformance. Mr. Kachmar explained that they can run a monthly flash report, which would include manager performance, and send it to Ms. Twilley. Ms. Sanford asked to include a quarterly report, as well. Mr. Kachmar agreed to do so.

Ms. Sanford asked how Mr. Kachmar and his team feel about placing a watch on Jackson Square. Mr. Kachmar explained that the magnitude of underperformance has set off alarm bells on their research team. It does not elevate to a formal watch status, but there is an ongoing weekly dialogue with the manager on where their performance is going. Ms. Sanford then noted that, on the international side, Vanguard was one of the top three funds, but they have since moved down to 80. She asked what drove the decline. Mr. Kachmar noted that Vanguard has a heavy orientation into some of the growth names, namely Tesla, which makes it more susceptible to volatility.

3. Communication:

a. Minutes of November 17, 2021 Regular Meeting

Mr. McIntosh noted that under Item 15, the third line, which reads "...out over the next five", the word "**years**" should follow.

Minutes accepted as amended.

b. Minutes of November 29, 2021 Special Meeting

Mr. McIntosh noted that "New Run Mall" should instead read "**Fox** Run Mall.

Minutes accepted as amended.

4. Communication: Pension Report – October 2021

Ms. Twilley reviewed the report dated November 18, 2021.

5. Communication: Month End Investments – October 2021

Ms. McManus reviewed the report dated November 12, 2021.

6. Communication: Financial Summary (Expenditures) for 5 months - November 2021

Ms. Twilley reviewed the report dated December 9, 2021.

7. Communication: Capital Projects – November 2021

Ms. Twilley reviewed the report dated December 8, 2021.

8. Communication: Self Insurance Reserve Fund – November 2021

Ms. Twilley reviewed the report dated December 6, 2021. There have been no large loss claims. Mr. Lynn asked what the total aggregate stop loss is per year. Ms. Twilley explained that there is no aggregate stop loss for the town. The stop loss per incident is \$150,000 for the Town and \$200,000 for the BOE.

9. Communication: Bank Collateralization Report

Ms. Twilley reviewed the report as of September 30, 2021.

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

11. **Action:** Transfers over \$5,000

a. \$8k Capital Reserve Projects – Land Acquisition

Mr. Johnson explained that there is a capital projects fund for land acquisition, which is allocated to small land purchases. The Town sold a small parcel of land at 210 Griswold Street, and the intersection was realigned through grant monies. A small strip was still under Town ownership. The Chabad Center is interested in acquiring the strip because it would provide an access point for a house for their rabbi. They purchased the strip from the Town for \$8,000. Mr. Johnson explained that the intention is for the Town to reallocate that money to fund future land purchases.

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council the transfer of \$8,000 from the General Fund - Unassigned Fund Balance to the Capital Reserve Projects - Land Acquisition Fund as presented, without changes.

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

b. \$30k Information Technology fiber repairs and other needs

Ms. Twilley explained that the Town has \$30,000 to fund various IT needs. There were two different incidents in Town where tree branches came down and damaged the fiber, so this action is to make fiber repairs. She noted that the annual maintenance cost is higher than what they had estimated. A switch management system will replace the current system which is at its end of life. They have funds available in other areas, mostly in open positions with turnover, so that is how these needs will be funded. Mr. McIntosh asked if this is storm related. Ms. Twilley does not think that the tree branches came down in a storm. They are simply tree branches that came down and damaged the network. Mr. McIntosh asked if this is not covered by insurance. Mr. Johnson does not believe that it is, but he can check to make certain.

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance hereby transfers \$30,000 from the General Fund - Accounting, Town Clerk, and Financial Administration Funds to the General Fund - Information Technology - Equipment Maintenance and Data Processing Funds as presented, without changes.

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

12. 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 about the issue of special revenue funds. He stated that the Board was directed to look at the Comprehensive Annual Financial Report (CAFR), which he did. There were 16 special revenue funds in the last CAFR; there are now 17, but only 5 show up in the Town of Glastonbury budget. He asked where he could find the balances or relevant information for the 12 other special revenue funds. Ms. Twilley stated that pages 102 to 106 of last year's financial report lists the revenues and expenditures. Mr. Zeller countered that, in the regular budget, only 5 of the 17 show up. He asked if there is any reason why they are not in the regular budget document. Mr. Johnson stated that they generally do not budget for these funds. He listed a few examples of the funds in question which are usually unpredictable or largely just accept donations.

Ms. Sanford asked if there could be an appendix note of things that are outside of the budget. Ms. Twilley stated that they are listed in the budget on page 33. A lot of those funds do not change materially from year to year, and the money is restricted, which is why in practice there is not more reporting on this. If the Board would like more detail, it is available within the annual comprehensive financial report.

Ms. Karp noted that a tour was conducted of the Naubuc School this week by the BOE and the Council. As far as she knows, the BOF was not included, but Mr. Zeller attended. She is strongly committed to the fact that if the BOF is asked to decide on an issue, then all members should have the opportunity to access the same information. Going forward, she requests that there be a more coordinated policy on this. If a body like the Council invites the BOF as an entity, then all members are invited. If the BOF is not invited, then no member attends. She also stated that a tour set up for the BOE/Town Council/the BOF is very different from a tour for the public. Ms. Sanford countered that she believes in an all-inclusive approach. The BOF should be invited to all events.

Mr. Zeller explained that a council member had asked him if he were going to attend the meeting. He replied that he was not officially invited, but the council member told him to go anyway. Had there been an objection to Mr. Zeller's appearance, he would have left. He noted that questions relevant to the BOF were raised, such as regarding construction costs, but overall, it was a short tour. Mr. Johnson explained the purpose of the meeting, which was that the BOE is seeking to convert the open space at Naubuc School to a more traditional space. A member of the Town Council asked to look at the area that is to be changed and reconfigured. Council members and the BOE toured the space yesterday. He noted that if the BOF would like to tour it, he can talk to the Superintendent and the Council to arrange a tour for the Board.

Mr. McIntosh stated that the underlying problem goes to what is the function of the BOF. He believes that their function is to test the fiscal capacity of the community to go forward on matters which are brought to them by those who were elected to make those decisions — in this case, the Town Council and the BOE. The Board's mandate is not to go into the question of whether a project is a good idea or not, but whether the Town can afford it and where the money should come from. There are two exceptions to this: cases in which there is wasteful expenditure or where the expenditure is outside the mission of the agency which proposes the expenditure. In those two cases, he believes that the BOF should get involved.

13. Adjournment

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of December 15, 2021, at 5:31 p.m.

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

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.