

## AGENDA

*THIS DOCUMENT IS FOR INFORMATIONAL PURPOSES ONLY. FOR OFFICIAL DOCUMENTS, PLEASE CONTACT THE TOWN CLERK'S OFFICE*

### GLASTONBURY BOARD OF FINANCE - AGENDA OF REGULAR MEETING

**Wednesday, October 19, 2022, 4:00 PM**

**Town Hall, 2155 Main Street, Glastonbury, CT – Council Chambers**

**With an option for Zoom Video Conferencing (details on page 2)**

**Board Members:** Constantine Constantine; Chairman, Jared Soper; Vice Chairman, Susan Karp, Robert Lynn, James McIntosh, and James Zeller

1. Public Comment Session: Comments pertaining to the call.

2. Communication: Minutes of September 21, 2022 Regular Meeting

3. Communication: Pension Report – August 2022

4. Communication: Fiducient Advisors Report

5. Communication: Month End Investments – August 2022

6. Communication: Financial Summary (Revenues & Expenditures) for 3 months - September 2022

7. Communication: Capital Projects – September 2022

8. Communication: Self Insurance Reserve Fund – September 2022

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

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

a. Wells Turner Library Administration and FF&E (\$100,000)

b. General Fund-Unassigned Fund Balance to Police (\$60,000) and Fire (\$30,000)

11. Communication: Several Items

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

13. Adjournment

**THIS BOARD OF FINANCE REGULAR MEETING WILL BE CONDUCTED IN PERSON IN COUNCIL CHAMBERS OF TOWN HALL AT 2155 MAIN STREET, GLASTONBURY, WITH AN OPTION FOR ATTENDANCE THROUGH ZOOM VIDEO CONFERENCING.**

**Join the Meeting** - The public may join the Zoom Video Conference as an Attendee (view and listen function only) as follows:

**Join by Zoom Meeting link:**

<https://us02web.zoom.us/j/83456913897?pwd=eFR6QmlycFIQRSt3b3dTZ25HaHZMQT09>  
**Passcode:** 661482

**Join by Phone:**

**Dial:** +1 646 558 8656 **or** +1 646 931 3860  
**Webinar ID:** 834 5691 3897  
**Passcode:** 661482

**Public Comment** - May be submitted through a form at the following link no later than 2:00 p.m. one business day BEFORE the meeting is held for your comments to be included in the public comment session of the meeting. Be sure to select *Board of Finance* in question 4 of the form:

[www.glastonbury-ct.gov/publiccomment](http://www.glastonbury-ct.gov/publiccomment)

There is also the opportunity to give Public Comment as part of the virtual meeting if joining through the Zoom Meeting Link.

**Watch the Meeting** - This meeting will be broadcast in real-time through Public Access Television on Channel 16, or live streamed on the town website. [Click here to view by live streaming.](#)

If you are unable to join/participate in the meeting at the time it is held, the meeting will be available on the [Video On Demand page of the town website](#) within one week of the meeting date.\*

*\*The Video On Demand page is accessible through any web browser EXCLUDING Internet Explorer. Please use Chrome, Edge, Firefox, Safari or any other web browser excluding IE to access meeting video content.*

**GLASTONBURY BOARD OF FINANCE  
REGULAR MEETING MINUTES  
WEDNESDAY, SEPTEMBER 21, 2022**

The Glastonbury Board of Finance, along with Town Manager, Richard J. Johnson, held a regular meeting at 4:00 p.m. in the Council Chambers of Town Hall at 2155 Main Street with the option for Zoom video conferencing. The video was broadcast in real time and via a live video stream.

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

**Roll Call**

***Members***

Mr. Constantine "Gus" Constantine, Chairman  
Mr. Jared Soper, Vice Chairman  
Mr. James McIntosh {participated via Zoom video conferencing}  
Ms. Susan Karp  
Mr. Robert Lynn  
Mr. James Zeller

1. Public Comment Session: Comments pertaining to the call *None*
2. Communication: Chris Kachmar from Fiducient Advisors
  - a. Communication: Glastonbury Pension Flash Report August 2022
  - b. Communication: Glastonbury Pension 2Q22 Portfolio and Manager Review
  - c. Communication: Capital Markets Overview
  - d. Glastonbury Supplemental Investment Manager Information

Mr. Kachmar explained that the portfolio is running 20 basis points ahead of the benchmark. Mr. Soper asked to explain the differentiation in the standard deviation between the Town's retirement plan and the benchmark. Mr. Kachmar explained that the managers take a bit more risk to reach that incremental return. Mr. Lynn would like to see funds of equal risk with greater returns. Mr. Kachmar stated that they are cognizant of the amount of risk that the managers bear. However, over full market cycles, most of them have been up to the task.

The exception right now is Jackson Square. While in 2020, it outperformed the benchmark by 25 points, it is now underperforming the benchmark by 17 points. Mr. Lynn stated that it is boom and bust but still not acceptable. Mr. Soper finds that the performance history suggests that something in their strategy or managers has changed within the last 2-3 years. Mr. Kachmar stated that their research analyst has worked with the manager on that exact question. It is the same collection of individuals, portfolios, and orientations, but there has been some idiosyncratic selection risk recently.

Mr. Soper pointed out that it was the Board's decision to realign the portfolio a few years ago by moving from fixed income to equities. Had they listened to Fiducient's recommendation at the

time, the Town would now be 35 basis points below the benchmark. Going forward, changes need to be made to the entire portfolio. Starting this year, there will be a net outflow of over \$10 million from the pension. He asked if they should put net outflow in short-term treasuries, which are yielding 3.5-4%, to cover short-term needs. Increasing equity - which was proposed by Mr. McIntosh years ago - should be considered. He also questions whether PGIM Total Global Return Fund or Templeton International should be maintained. Perhaps indexes could be added, and some active managers could be reduced because he does not see that they are really increasing the valuation.

Mr. Soper echoed Mr. Lynn's sentiments that either risk needs to be reduced to be in line with the benchmark, or changes need to be made to generate an excess return in line with risk. Prior to 2020, Jackson Square's risk was in line with the pension, but now, it is not. The asset allocation tables need to be changed, the hybrid plan should be in line with the regular plan, and several funds - or their sizes - need to be changed. Perhaps the equity allocation should be increased. And while this may not be the right environment to pursue bonds, they should be considered. If bonds go up a lot more, then they could just leave it in long-term bonds. Mr. Zeller suggested setting up a special meeting to discuss, and possibly act on, the various changes that Mr. Soper proposed. Mr. Kachmar noted that his team will conduct a full-scale diagnostic analysis and share the findings with the Town.

Mr. Lynn noted that their one year is down 13.5% versus the benchmark at 10.7%. He asked why they are down 3% year over year. Mr. Kachmar explained that it is due to the shortfall of a handful of managers over the past year. Mr. Lynn asked if there is conviction that they will manage themselves out of this. Mr. Kachmar stated yes, as that would be consistent with their histories. When international growth comes back, they tend to get back more than they lost. Mr. Lynn seeks to understand the risk in the portfolio and how it relates to the benchmark. He assumes that the Town's risk is higher because of the 3% drop. Mr. Kachmar stated yes, the standard deviation is higher. He will work with the performance team and get back to the Board.

Mr. Zeller asked about the Cape Ann Asset Management fund, of which 35% is invested in China. With China poised to take a big financial drop, he inquired whether it is prudent to maintain something so heavily invested in China. Mr. Kachmar explained that the manager has discretion to rotate across emerging markets to where they think those markets will go. There is a rightful place for a dedicated emerging market manager. Mr. Kachmar explained that the first six months of the year have been difficult. In December 2021, return was 8.2% while the benchmark was 7.8%. He cautioned the Board to be sensitive to the fact that the Town plan will be around for a long time.

Mr. Lynn asked if SMAs are offered to municipalities. Mr. Kachmar replied yes, and they can share information with the Board. Mr. McIntosh stated that this is an observation of the town which is infinite in time. Because the observation is not fixed, the strong emphasis should be on equities. Bonds should be used when there is a limited liability relatively fixed in time. The Town has a considerable sum of money sitting there, so he is not concerned about negative outflows. He agreed with Mr. Zeller that the questions raised today demand more lengthy consideration by the Board. Mr. Kachmar explained that they would like about 45 days to complete the diagnostic analysis. The Board agreed to the tentative meeting date of November 9.

3. Communication: Minutes of July 20, 2022 Regular Meeting

*Minutes accepted as presented*

4. Action / Communication: Year-End Items

a. *Communication: Preliminary Year End Review 2021-2022 After Year End Close*

Mr. Johnson explained that there was a \$3 million gain to the General Fund - Unassigned Fund Balance. Some operational revenues exceeded budget, but they maximized the FEMA grant reimbursement for Storm Isaias. Because of operating results, there was no need to use the General Fund transfer of \$975,000. In all, it was a good year, largely driven by revenues above, not so much by expenditures below. In November, he will review fund balance scenarios with the Board.

Ms. Karp appreciates the plan for fund balance, for which she has long sought an in-depth discussion. Mr. Zeller asked about ARPA. Mr. Johnson explained that it is in a special revenue fund, which is separate and distinct from this. \$4.6 million of the \$10.2 million ARPA monies has not yet been allocated. Mr. Soper asked if the Board will see the accounting for that. Mr. Johnson replied yes, it will be in the next capital report, at the Board's next meeting. Almost all the ARPA money is allocated to the Capital Program.

b. *Communication: YE Contribution to Self-Insurance Funds*

Mr. Johnson explained that because the funds are allocated for health insurance, if there is an available balance at the end of the year, it will be transferred to the Self-Insurance Fund.

c. Communication: Special Revenue Funds June 30, 2022 Reports

i. Sewer Operating and Sewer Sinking Funds

Ms. McManus reviewed the report dated August 22, 2022. Both funds are in good working order. Mr. Zeller asked if the Council has changed the fees. Mr. Johnson stated that the WPCA establishes the fee. Last year, there was a modest increase. For this coming year, no increase is expected.

ii. Recreation Activities and Police Private Duty Funds

Ms. McManus reviewed the report dated September 7, 2022. Mr. Lynn asked what "assigned" means. Ms. McManus explained that because it is a special revenue fund, they are not allowed to move that money to other funds. Therefore, they call it "assigned" just for the rec activities, as it serves a special purpose. Mr. Johnson explained that this is a snapshot as of June 30. Theoretically, the Recreation Activities Fund would be zero at the end of the year. However, the revenues and expenditures do not work in lockstep.

d. Communication: Review of Capital Outlay Carry Forwards

Mr. Johnson reviewed the report dated September 12, 2022.

- e. **Action:** Review and Approval of Encumbrance Carry Forwards

*Motion by:* Ms. Karp

*Seconded by:* Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council the approval of the FY21/22 carry forward of encumbrances as appropriations from Fund Balance as follows:

- \$501,514.86 for the General Fund,
- \$32,241.85 for the Sewer Operating Fund,
- \$39,568.28 for Recreation Activities.

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

- f. Communication: Review of Intra-Department Transfers Under \$5,000

- g. **Action:** Review and Approval of Intra-Department Transfers Over \$5,000

*Motion by:* Ms. Karp

*Seconded by:* Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the June 30, 2022 intra-department transfers over \$5,000 in the amount of \$1,076,213.

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

- h. **Action:** FY2022 Year-end Inter-Departmental Transfers

*Motion by:* Ms. Karp

*Seconded by:* Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the June 30, 2022 inter-department transfers in the amount of \$65,915.

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

5. Communication: Pension Report – July 2022

Mr. Johnson reviewed the report dated August 22, 2022.

6. Communication: Month End Investments – July 2022

Ms. McManus reviewed the report dated August 26, 2022.

7. Communication: Financial Summary (Revenue & Expenditure) for 2 months - August 2022

Mr. Johnson reviewed the report dated September 9, 2022.

8. Communication: Capital Projects – August 2022

Mr. Johnson reviewed the report dated September 9, 2022. Mr. Zeller asked about the final calculation on the field house. Mr. Johnson stated that the project is complete at about \$200,000 over budget. Final discussions are ongoing between the Town and the general contractor. He hopes to know more over the next few weeks. Mr. Zeller stated that two sections of Diamond Lake Road are missing for sidewalks. Mr. Johnson will look at the sidewalk matrix. Ms. Karp thanked staff for the library project and its opening ceremony, which was very well received. She also finds the new field house to be an amazing improvement.

9. Communication: Self Insurance Reserve Fund – August 2022

Ms. McManus reviewed the report, noting that there have been no large loss claims this year. Mr. Zeller asked if the concern about a COVID-19 blip has been assuaged. Mr. Johnson believes that to be the case, but he is meeting with the health insurance consultant tomorrow to confirm.

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

- a. Financial Admin/Purchasing Negometrix (\$4,760)

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

- a. Facilities East Glastonbury Library Boiler (\$8,785)

Mr. Johnson explained that the Town owns the library, which they lease to the operators, the East Glastonbury Library Association. While there is no budget for the boiler, they can transfer money from vacancies in staffing.

**Motion by:** Ms. Karp

**Seconded by:** Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves funding for the purchase and replacement of the oil-fired boiler at the East Glastonbury Library, with a transfer of \$8,785 from the General Fund - Facilities Maintenance - Part Time Wages to the General Fund - Facilities Maintenance - Facilities Maintenance.

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

- b. Community Development Peer Review Services (\$15,000)

Mr. Johnson explained that when the CGS 8-30g project for 1199 Manchester Road came up, there was a concern about the steep slopes located behind the project. The TPZ requested that Tighe & Bond review how the slope would be stabilized during construction, as well as the possible concern of uranium in the well water. While this type of funding is not typically included in the budget, it will be henceforth.

**Motion by:** Mr. Zeller

**Seconded by:** Ms. Karp

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of \$15,000 from the Community Development - Full-Time Wages to Community Development - Professional Services to fund the Community Development Peer Review Services.

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

c. Pickleball Courts (\$60,000)

Mr. Johnson explained that a competitive bid has been received from an experienced pickleball installer. The contractors can begin and finish most of the work this year. However, an additional \$60,000 is needed. The Council supports the transfer. Mr. Zeller inquired about the total cost. Mr. Johnson replied, \$267,000. Mr. Soper asked if the library upgrade came in under budget. Mr. Johnson stated yes, it did.

**Motion by:** Ms. Karp

**Seconded by:** Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of \$60,000 from Capital Projects - Library Upgrade/Redesign to Capital Projects - Pickleball Courts.

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

d. Animal Control Shelter Design services (\$55,000)

Mr. Johnson explained that this is funded through two accounts: the construction is funded through ARPA and the design through the Capital Reserve Fund. Additional funding is needed to complete the design work. The police window replacement project was completed below budget, so the intent is to reallocate those savings from one police fund to another.

**Motion by:** Mr. Zeller

**Seconded by:** Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of \$55,000 from the Police Window Project to the Capital Projects - Animal Control Shelter.

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

e. GHS HVAC (\$1.2m)

Mr. Johnson explained that the Governor originally proposed allocating ARPA monies towards HVAC improvements in schools. The grant criteria require a municipal appropriation. The Council agreed to start the funding process for a new boiler and rooftop air handling units, both at Gideon Welles, to be eligible for the grant. An application will be submitted thereafter. Mr. Johnson suspects that the actual appropriation will be less than \$1.2 million.

**Motion by:** Ms. Karp

**Seconded by:** Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of \$1.2 million from the General Fund - Unassigned Fund Balance to Capital Projects - Gideon Welles HVAC.



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

The Board moved to add to the agenda Item 11f: Capital Reserve Projects (\$20,000)

**Motion by:** Ms. Karp

**Seconded by:** Mr. Zeller

**Result:** Motion to add Item 11f to the agenda passed unanimously {6-0-0}.

f. Capital Reserve Projects (\$20,000)

Mr. Johnson explained that the Town would like to pursue a phased approach to selecting open space parcels. The Council agreed to start with a large parcel of 542 acres, as well as the J.B. Williams Park. After those two, the community will decide which ones to complete next. To do the two sites, an additional \$20,000 is needed.

Mr. Zeller asked what was allocated. Mr. Johnson replied, \$70,000. Mr. Zeller noted that there are a lot of properties that the taxpayers buy. He would like to ensure that there will be places where residents can walk - not just private parcels. Ms. Karp agreed that finding a way for the parcels to be accessible to all is a great idea. She suggested this be added to the land acquisition repertoire as it moves forward.

**Motion by:** Ms. Karp

**Seconded by:** Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of \$20,000 from Capital Reserve Projects - Library Upgrade/Redesign to Capital Reserve Projects - Open Space and Woodland Management Plan.

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

12. **Action:** Potential Land Acquisitions (Baldwin Parcel and Buckingham/McVey Parcel)

Mr. Johnson explained that the proposal is to purchase 30 acres of the former Baldwin estate and the 11-acre site - the Buckingham/McVey parcel - located below it. They will look at where to provide a reasonable access off Sherwood Drive. The estate owners seek to retain five acres to extend the cul de sac and proceed with four residential lots.

Mr. McIntosh noted that, at the end of Sherwood Drive, there are a series of large cement drainage pipes that were left during prior construction. Mr. Johnson stated that they will be removed. Mr. Soper asked what the reason was to purchase this land. Mr. Johnson stated that it is a great addition to the Kongscut Land Trust, as a popular hiking destination in a tight residential area. The intent is to further improve the open space in the area. He added that the Kongscut Land Trust has expressed interest in contributing money to this purchase.

**Motion by:** Mr. Zeller

**Seconded by:** Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the purchase of two parcels of land: the Baldwin parcel and the Buckingham/McVey parcel, for a total of \$735,000.

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

13. Communication: Bank Collateralization Report

Ms. McManus reviewed the listing of banking institutions used by the Town. Each institution is maintaining collateral that is greater than the required amount.

14. Communication: Memo – GHS Locker and Restroom Project, Pension – Experience Study

Mr. Johnson explained that, typically, an experience study is conducted every five years for all the pension assumptions. However, the Town has exceeded this cycle by about 2-3 years. The quote to conduct the study is \$30,000, which is typically charged to the pension. Mr. Soper suggested funding it outside of the pension fund. Mr. Johnson will investigate and send more information to the Board in the coming days.

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

Mr. Constantine stated that the PBC has not yet met.

16. Adjournment

**Motion by:** Mr. Lynn

**Seconded by:** Ms. Karp

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of September 21, 2022, at 5:58 p.m.

**Result:** Motion passed 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 Video OnDemand.*

## DEPARTMENT OF FINANCE &amp; ADMINISTRATIVE SERVICES

BOF 10/19/22  
Item # 3

September 30, 2022

TO: Board of Finance & Richard J. Johnson, Town Manager  
 FROM: MD Melissa Dionne, Budget/Finance Analyst  
 RE: Pension Investment Review – August 2022

As of August 31, 2022 the pension asset value is \$191,862,241, a net increase of \$11,450,832 from July 1, 2022. Through the month of August, the fund experienced an unrealized gain of \$2,699,485, which is indicative of the current market and there were realized gains of \$105. Investment income through August totaled \$329,516.

Beginning Balance July 1, 2022	\$	180,411,409
<b>Revenues:</b>		
Employer Contributions	\$	10,329,019
Employee Contributions	\$	314,531
Total Contributions	\$	10,643,550
Investment Income	\$	329,516
Realized Gains/Losses	\$	105
Unrealized Gains/Losses	\$	2,699,485
Total Revenues	\$	13,672,656
<b>Expenditures:</b>		
Benefit Payments	\$	2,179,428
Administrative Fees	\$	11,814
Investment Management Fees	\$	30,582
Total Expenditures	\$	2,221,824
<b>Net Increase/Decrease</b>	<b>\$</b>	<b>11,450,832</b>
<b>Ending Balance August 31, 2022</b>	<b>\$</b>	<b>191,862,241</b>

Assuming a 6.25% long-term return on the plan's investments, the July 1, 2021 Unfunded Accrued Liability is \$70.1 million and the corresponding funded ratio is 72.2%. The Town's policy for paying off the unfunded liability is such that there are 12 years remaining in our amortization schedule.

cc: Narae McManus, Controller  
 Karen Bonfiglio, Finance Manager, Glastonbury Public Schools

# Research Paper

## The Next Chapter in the Active versus Passive Debate

*An Update to our Analysis of Performance, Consistency and Persistency*

by Anthony M. Novara, CFA, Collin M. McGee, CFA, Matthew R. Rice, CFA

September 2021

We have completed the sixth iteration of our research study titled “The Next Chapter in the Active versus Passive Management Debate” where we evaluate the persistency of top quartile mutual funds<sup>1</sup> in 17 different categories during the ten-year period ended December 2020. Despite the different market environments captured in each of the time periods since the first edition of the paper in 2007, our primary observations have remained consistent over time.

As a reminder from our last edition, this analysis is for all actively-managed strategies as defined by Morningstar. All passively-managed funds that have achieved ten-year track records are independently analyzed at the end of the paper.

### Key Observations:

- *85 percent of ten-year top quartile mutual funds were unable to avoid at least one three-year stretch in the bottom half of their peer groups. This result is modestly lower than the median of the historical range of 83 to 92 in our past five editions, but up modestly from the 83 percent we observed in our last edition. As in the previous edition, we continue to attribute the lower percentage compared to the historical range to be a function of more consistent results in Intermediate Bonds and Large Cap Core equities, which represent a high percentage of the funds analyzed.*
- *57 percent of ten-year top quartile mutual funds were unable to avoid the bottom half during a five-year period. This result is modestly lower than the median of the historical range of 54 to 63 in our past five editions, but up modestly from the 54 percent we observed in our last edition.*

*This report is intended for the exclusive use of clients or prospective clients of Fiducient Advisors. The information contained herein is intended for the recipient, is confidential and may not be disseminated or distributed to any other person without prior approval of Fiducient Advisors. Any dissemination or distribution is strictly prohibited. Information has been obtained from a variety of sources believed to be reliable though not independently verified. Any forecasts represent future expectations and actual returns, volatilities and correlations will differ from forecasts. This report does not represent a specific investment recommendation. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice. Past performance does not indicate future performance and there is a possibility of a loss.*

- *Top quartile mutual funds with three-year stretches in the bottom half of their peer group spent, on average, five to six consecutive quarters below the median. Top quartile funds spent an average of 21 percent of rolling three-year periods in the bottom half of their peer groups.*
- *Owning the 39th percentile mutual fund in all 17 categories would have matched the weighted index return for a 70 percent equity and 30 percent fixed income portfolio during the ten-year period. This result is modestly lower than the median of the historical range of 36 to 52 in our past five editions, and up modestly from the 37 percent we observed in our last edition. The trend that more effective manager selection is required to match the weighted index return continues to be persist in general, including in the recent ten-year period.*
- *Recent data suggests that actively-managed strategies tend to struggle in strong up markets compared to passive strategies, especially in domestic equity asset classes. Many asset classes generate outperformance in the top quartile of their peer group and to a lesser extent the median manager more often in down markets.*
- *Investing passively does not completely insulate investors from volatility in relative performance compared to active peers and in some asset classes has guaranteed sub-par results over the most recent ten-year period.*
- *Falling prey to natural human behavioral tendencies during the manager selection and termination process generally leads to failure. Investors need to make a concerted effort to understand a manager's investment process, sub-style and investment philosophy before investing to develop the confidence and patience required for long-term success.*

## Introduction

While volatility spikes occurred sporadically during the last two years, risk-assets such as equities, real estate and high yield bonds continued to add to already strong absolute performance as a result of continued stimulative practices from global central banks, especially from the U.S. Federal Reserve. Despite including an unprecedented year like 2020 in the analysis, our current findings are consistent with our previous ones and support our previous conclusion that nearly all of the best managers over long periods periodically struggle over shorter periods.

---

<sup>1</sup> Distinct portfolio share classes (only) from Morningstar mutual fund database. Not corrected for survivorship bias. All data in all exhibits is sourced as Morningstar and Fiducient Advisors analysis unless stated otherwise.

## Exhibit 1

Ten-year top quartile funds<sup>2,3,4</sup> that fell below median during one or more three- and five-year periods

Category	Number of Funds with 10-Year Track Records <sup>1,2</sup>	Number of 10-Year Top Quartile Active Managers	Number of 10-Year Top Quartile Active Managers Below Median For a 3-Year Period	Percent of 10-Year Top Quartile Active Managers Below Median For a 3-Year Period	Average Number of Consecutive Quarters Spent In Bottom Half of Peer Group	Number of 10-Year Top Quartile Funds Below Median For a 5-Year Period	Percent of 10-Year Top Quartile Active Managers Below Median For a 5-Year Period
Intermediate Bond	96	23	13	57%	4.2	8	35%
High Yield Bond	118	31	23	74%	5.0	16	52%
International/Global Bond	37	9	8	89%	3.8	5	56%
Large Cap Value	236	57	54	95%	4.8	38	67%
Large Cap Core	287	41	31	76%	5.2	23	56%
Large Cap Growth	280	62	42	68%	4.3	18	29%
Mid Cap Value	77	20	19	95%	5.3	11	55%
Mid Cap Core	82	14	13	93%	6.2	11	79%
Mid Cap Growth	131	33	30	91%	8.2	23	70%
Small Cap Value	92	22	21	95%	5.2	12	55%
Small Cap Core	141	24	21	88%	6.0	14	58%
Small Cap Growth	135	34	33	97%	7.5	28	82%
International Value	66	17	15	88%	4.1	10	59%
International Core	127	32	29	91%	6.5	21	66%
International Growth	72	18	13	72%	5.4	8	44%
Emerging Markets	102	26	23	88%	6.1	14	54%
Real Estate	47	12	9	75%	4.4	7	58%
<b>Total</b>	<b>2126</b>	<b>475</b>	<b>397</b>				
<b>Weighted Average</b>				<b>84%</b>	<b>5.5</b>	<b>267</b>	<b>56%</b>

Source: Morningstar, Fiducient Advisors Analysis for all exhibits in this paper unless specified otherwise.

## Duration of Manager Underperformance

The duration of below peer group median performance can test the patience of even the most sophisticated investors. We believe many accept the premise that strong long-term performing managers can produce poor results from time to time. However, the length of these poor-performing stretches is often surprisingly long. **Exhibit 2** shows that ten-year top quartile funds spent about 21 percent of three-year periods (or about six out of 29) in the bottom half of their peer group. Therefore, had one possessed enough skill (or luck) to have selected top quartile funds in every single category, one would still have suffered through many quarterly performance reviews where approximately one in four of the selected managers underwent three-year below median performance. Over rolling five-year periods, top quartile funds spent 14 percent of the time (or about three out of 21) in the bottom half of their peer groups. The

<sup>2</sup> Many fund families offer multiple versions of the same fund, but with variations of the fees that are charged and investor qualifications. Morningstar's "distinct portfolio only" feature removes all duplicate options. Morningstar normally designates the oldest share class as the distinct portfolio.

<sup>3</sup> Morningstar data is not immune to survivorship bias. Each mutual fund that survived the ten-year stretch was captured regardless of performance. In addition, the Morningstar data generates returns net of expenses.

<sup>4</sup> All ten-year calculations across the paper reflect the period from December 31, 2010-December 31, 2020.

ranges are relatively tight and consistent across all 17 analyzed asset classes.

### Exhibit 2

Average percent of three- and five-year periods spent in the bottom half by ten-year top quartile funds

Category	Number of 10 year Top Quartile Active Managers	Average Percent of 3-Year Periods Spent in Bottom Half	Average Percent of 5-Year Periods Spent in Bottom Half
Intermediate Bond	23	9%	6%
High Yield Bond	30	17%	8%
International/Global Bond	9	16%	8%
Large Cap Value	57	20%	13%
Large Cap Core	40	16%	12%
Large Cap Growth	61	13%	10%
Mid Cap Value	19	24%	11%
Mid Cap Core	13	25%	20%
Mid Cap Growth	33	30%	22%
Small Cap Value	22	25%	16%
Small Cap Core	23	23%	16%
Small Cap Growth	34	30%	27%
International Value	17	19%	12%
International Core	32	28%	21%
International Growth	18	15%	8%
Emerging Markets	26	22%	14%
Real Estate	12	17%	12%
<b>Weighted Average</b>		<b>21%</b>	<b>14%</b>

*Source: Morningstar, Fiducient Advisors Analysis.*

Once a manager is hired, it is very unlikely that performance will always be strong when revisiting trailing performance on a quarterly basis, even if the next ten-year period is strong enough to place the manager in the top quartile of their peer group. In fact, the only way to ensure your portfolio will always consist of managers with strong performance over trailing periods is to constantly replace your recent underperforming managers with recent more favorable performers. We advise against this because it will likely lead to long-term underperformance as shorter-term relative performance mean-reverts. As behavioral finance suggests, we should often hold when it seems obvious we should sell. Such restraint is often easier said than done, as it requires discipline and patience. Since

even the best performing managers periodically struggle, what are the legitimate reasons to consider termination? We believe the answers to the following questions are the most instructive:

1. Has the portfolio manager or team changed the process, investment constraints or style?
2. Does the underperformance align with the historical context of the manager's track record in similar market cycles?
3. Have there been any personnel or organizational changes recently that explain the underperformance?
4. Does the process remain consistent despite near-term struggles?
5. Are alignment of incentives in place to retain strong portfolio managers and supporting analysts?
6. Has the manager's competitive advantage changed as a result of changing market dynamics?

While it may be easier to avoid these difficult questions by simply terminating (and hiring a recent strong-performing manager), we believe doing so is likely to sacrifice long-term performance.

## Style Analysis

It is important to know both when and by how much active managers are expected to both outperform and underperform. Stylistically, many asset classes exhibit a negative relationship with alpha generation and the level of benchmark return. That is, the greater the benchmark return, the more difficult it is for active managers to keep pace with the benchmark. Index performance rankings are also cyclical and often fluctuate as much as active strategies in the same asset class. In some cycles, indices can be extremely difficult to beat not only by the median manager, but even by a top quartile manager. **Exhibit 3** illustrates this concept:



### Exhibit 3

Index<sup>5</sup> returns compared to median and top quartile funds

Category	10 year index return	10-Year Index Peer Group Rank	Median Fund Return	Median Fund Excess Return	Top Quartile Fund Return	Top Quartile Fund Excess Return
Intermediate Bond	3.8%	52	3.9%	0.0%	4.2%	0.3%
High Yield Bond	6.8%	9	5.8%	-1.0%	6.1%	-0.7%
International/Global Bond	2.0%	83	3.1%	1.1%	3.5%	1.5%
Large Cap Value	10.5%	31	9.9%	-0.6%	10.7%	0.2%
Large Cap Core	13.9%	10	12.6%	-1.3%	13.6%	-0.3%
Large Cap Growth	17.2%	18	15.3%	-1.9%	16.5%	-0.7%
Mid Cap Value	10.5%	12	9.3%	-1.2%	10.0%	-0.4%
Mid Cap Core	12.4%	13	10.4%	-2.0%	11.3%	-1.1%
Mid Cap Growth	15.0%	32	14.1%	-0.9%	15.3%	0.2%
Small Cap Value	8.7%	31	7.9%	-0.7%	8.8%	0.2%
Small Cap Core	11.2%	20	10.0%	-1.2%	11.0%	-0.2%
Small Cap Growth	13.5%	57	14.1%	0.6%	15.5%	2.1%
International Value	3.4%	66	3.7%	0.3%	4.6%	1.3%
International Core	5.4%	55	5.5%	0.1%	6.1%	0.7%
International Growth	7.3%	66	7.8%	0.5%	8.8%	1.5%
Emerging Markets	4.0%	44	3.7%	-0.3%	5.4%	1.4%
Real Estate	8.3%	52	8.3%	0.0%	9.0%	0.7%

Source: Morningstar, Fiducient Advisors Analysis

In the case of Small Cap Growth, the median manager outperformed its index by approximately 60 basis points and the top quartile manager outperformed by 210 basis points. This outperformance supports active management in the asset class. For other asset classes such as High Yield, outperforming the benchmark was extremely difficult as only seven percent of all strategies outperformed. Even selecting a top-decile manager would not have been enough to generate excess return. It is worth noting that not all indices can be efficiently tracked by a passive portfolio. Despite the headwind for active managers in High Yield for example, there are two well-known passive ETFs in the space and both underperformed the index by 1.4 percent and 1.1 percent on an annual basis over the last ten years.

Expanding the analysis further, **Exhibit 4** displays a scatterplot of the benchmark return (on a rolling three-year basis) on the horizontal X-axis and multiple peer group returns on the vertical Y-axis. The diagonal line represents the benchmark return and icons above the line indicate outperformance whereas icons below the line indicate

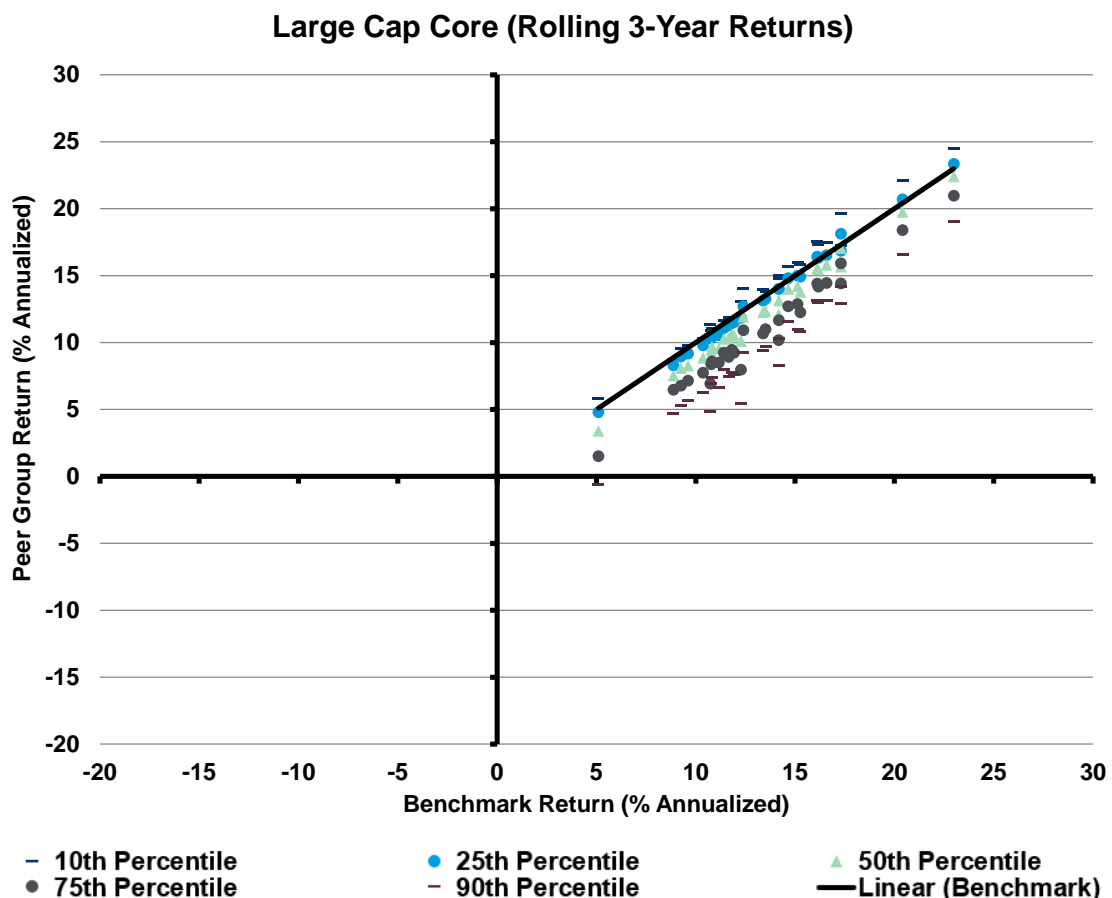
<sup>5</sup> Indices: Barclays Aggregate Bond, Barclays U.S. Corporate High Yield, Barclays Global Aggregate ex U.S., Russell 1000 Value, S&P 500, Russell 1000 Growth, Russell Mid Cap Value, Russell Mid Cap, Russell Mid Cap Growth, Russell 2000 Value, Russell 2000, Russell 2000 Growth, FTSE NAREIT Equity REITs, MSCI EAFE Value, MSCI EAFE, MSCI EAFE Growth, MSCI Emerging Markets.

underperformance. The Large Cap Core space shows very strong and consistent absolute returns on a rolling three-year basis and benchmark performance around the top quartile of peers in each instance. It is also noteworthy that for the current ten-year period, every rolling three-year period had positive absolute performance, with the majority of observations being 10 percent annualized returns or greater.

It has been especially difficult for active Large Cap Core managers to outperform the S&P 500 index since the financial crisis.

### Exhibit 4

Rolling three-year peer group returns vs. S&P 500



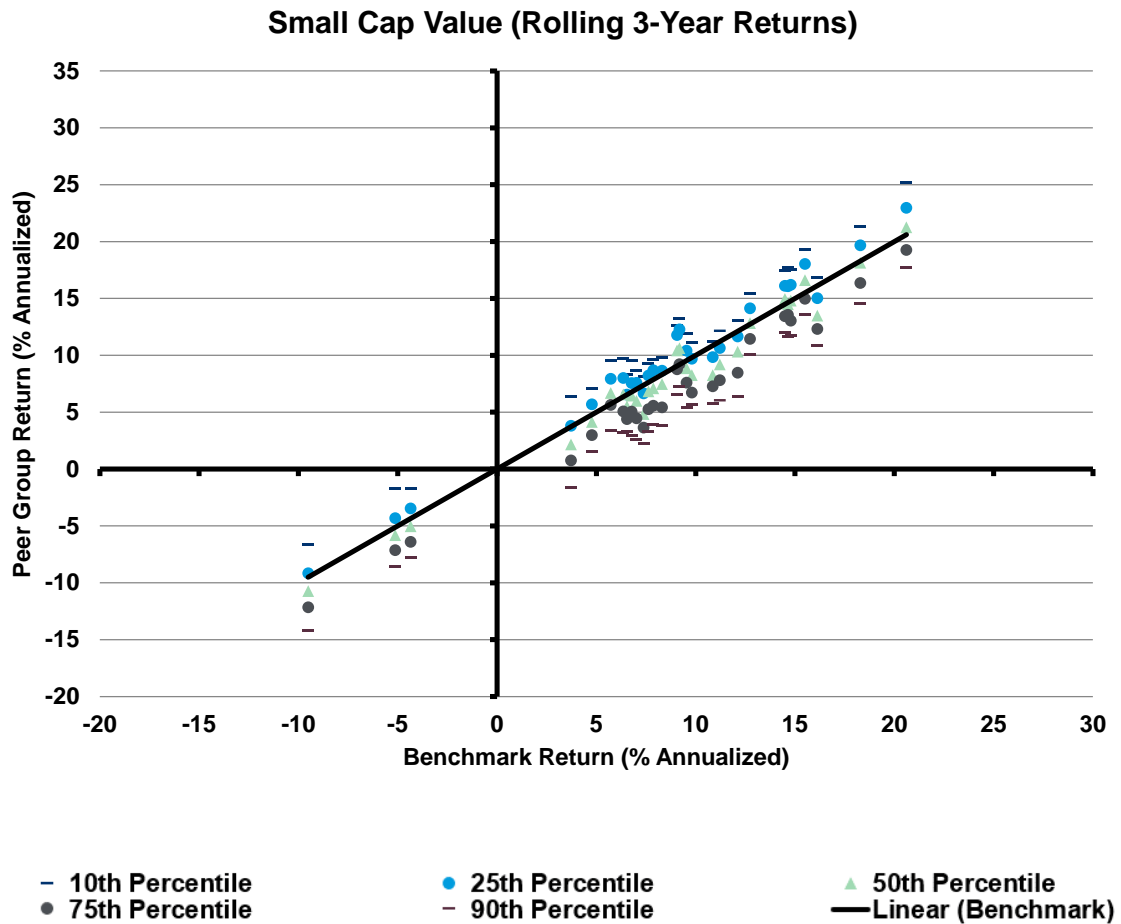
Source: Morningstar, Fiducient Advisors Analysis

This relationship generally held for large cap and mid cap equities regardless of growth, value or core styles. However, **Exhibit 5** shows outperformance of the top quartile far more often across most levels of benchmark

returns for Small Cap Value. Since the light blue dots were usually above the line, a top quartile Small Cap Value manager consistently outperformed the benchmark regardless of the level of benchmark return.

### Exhibit 5

Rolling three-year peer group returns vs. Russell 2000 Value

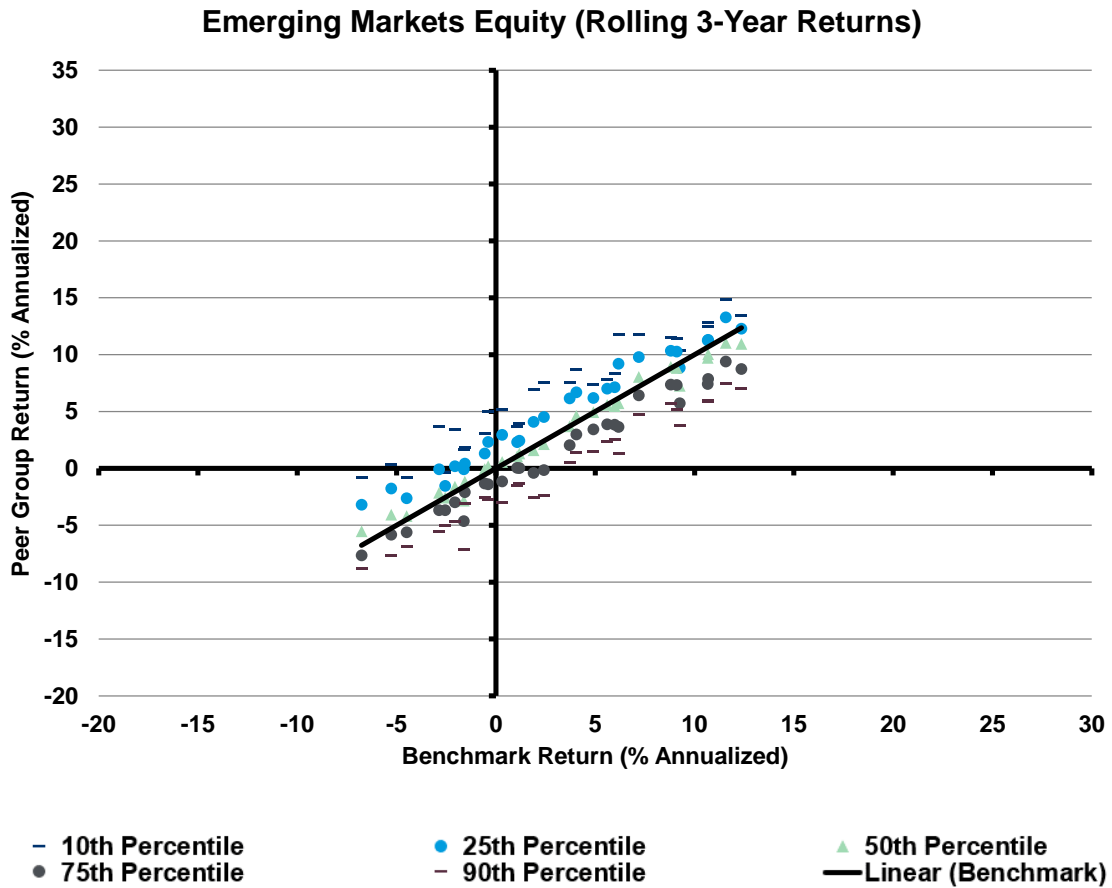


Source: Morningstar, Fiducient Advisors Analysis

The same concept holds true for emerging markets equities to some degree as **Exhibit 6** shows the top quartile of the Emerging Markets peer group outperformed the benchmark for nearly all levels of the benchmark's absolute return.

### Exhibit 6

Rolling three-year peer group returns vs. MSCI Emerging Markets

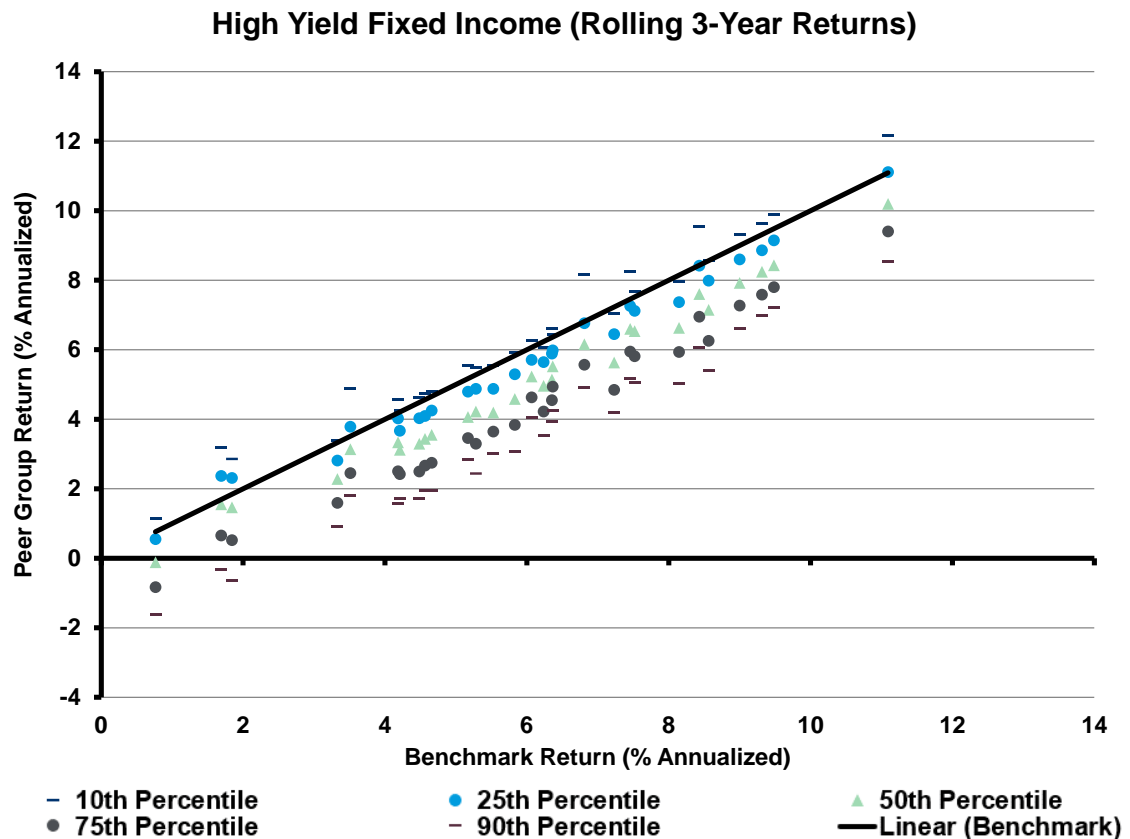


Source: Morningstar, Fiducient Advisors Analysis

High Yield, Mid Cap Core and Real Estate all displayed persistent historical underperformance for the top quartile at various periods and even occasionally show in-line or underperformance of the top decile relative to the benchmark. **Exhibit 7** displays High Yield’s results as a prime example of just how difficult it has been for active managers in select asset classes to outperform their benchmarks.

## Exhibit 7

Rolling three-year peer group returns vs. Barclays U.S. Corporate High Yield



Source: Morningstar, Fiducient Advisors Analysis

For the remaining asset classes not explored here, please refer to the Appendix for the scatterplots of all 17 asset classes.

Interpreting these results yields an obvious question: *with many active managers seeking to outperform their benchmarks, why do an overwhelming number fail in a particular asset class?* On the equity side, since many benchmarks are market capitalization weighted, the largest companies in each benchmark greatly influence the benchmark's returns. Domestic equity indices have continued to have some very large and concentrated positions and a manager unwilling to hold such concentrated positions will be at a disadvantage if those stocks happen to perform well. As a recent example, the FAANMG names (Facebook, Amazon, Apple, Alphabet [Google], Netflix and Microsoft) continue to represent a large portion of U.S. Large Cap Growth universe. This concentrated group has contributed a majority of the gains of the index in recent years, which we have detailed [here](https://www.fiducientadvisors.com/research/is-big-tech-all-you-need)<sup>6</sup>.

<sup>6</sup> <https://www.fiducientadvisors.com/research/is-big-tech-all-you-need>

Moreover, active managers generally keep some cash on hand to meet redemptions in their funds, so “cash drag” hurts in momentum-driven markets like the recent domestic equity market run.

**Exhibit 8** displays each asset class’ rolling three-year batting average over the last decade to measure the relationship between relative performance versus the benchmark and peer group rankings. In the example of High Yield, the top quartile active manager generated an excess return of 0 percent to -2 percent during 86 percent of the 29 three-year periods over the last ten years. Large Cap Core was similar as 76 percent of rolling three-year periods produced an excess return of 0 percent to -2 percent. Both serve as reminders that benchmark outperformance is not always guaranteed for strategies that achieve competitive rankings relative to their peers.

### Exhibit 8

Batting averages of rolling three-year periods over the last ten years

	% of Rolling 3-year periods:					
	Below -4% excess return	Between -2% and -4% excess return	Between 0% and -2% excess return	Between 0% and +2% excess return	Between +2% and +4% excess return	Above +4% excess return
<b>Small Cap Value</b>						
25% percentile			21%	62%	17%	
50% percentile		14%	55%	31%		
75% percentile		48%	48%	3%		
<b>Small Cap Core</b>						
25% percentile			24%	69%	7%	
50% percentile		14%	41%	45%		
75% percentile	10%	28%	62%			
<b>Small Cap Growth</b>						
25% percentile			7%	55%	10%	28%
50% percentile			55%	21%	24%	
75% percentile		52%	48%			
<b>International Value</b>						
25% percentile		3%	14%	34%	38%	10%
50% percentile		14%	24%	45%	17%	
75% percentile	10%	7%	55%	28%		
<b>International Core</b>						
25% percentile			24%	45%	31%	
50% percentile		3%	48%	41%	7%	
75% percentile		34%	41%	24%		
<b>International Growth</b>						
25% percentile				66%	28%	7%
50% percentile			59%	34%	7%	
75% percentile		21%	62%	17%		
<b>Emerging Markets</b>						
25% percentile			7%	52%	41%	
50% percentile			52%	48%		
75% percentile		34%	66%			
<b>Real Estate</b>						
25% percentile			48%	38%	14%	
50% percentile			76%	21%	3%	
75% percentile			90%	10%		

Source: Morningstar, Fiducient Advisors Analysis

## Exhibit 8 continued

	% of Rolling 3-year periods:					
	Below -4% excess return	Between -2% and -4% excess return	Between 0% and -2% excess return	Between 0% and +2% excess return	Between +2% and +4% excess return	Above +4% excess return
<b>Intermediate Bond</b>						
25% percentile			14%	86%		
50% percentile			79%	21%		
75% percentile			100%			
<b>High Yield Bond</b>						
25% percentile			86%	14%		
50% percentile			100%			
75% percentile		14%	86%			
<b>International/Global Bond</b>						
25% percentile			17%	69%	14%	
50% percentile			55%	45%		
75% percentile		14%	83%	3%		
<b>Large Cap Value</b>						
25% percentile			31%	62%	7%	
50% percentile		3%	69%	28%		
75% percentile		45%	55%			
<b>Large Cap Core</b>						
25% percentile			76%	24%		
50% percentile		7%	93%			
75% percentile	3%	83%	14%			
<b>Large Cap Growth</b>						
25% percentile			45%	55%		
50% percentile		31%	66%	3%		
75% percentile	24%	59%	17%			
<b>Mid Cap Value</b>						
25% percentile			34%	66%		
50% percentile		10%	86%	3%		
75% percentile		72%	28%			
<b>Mid Cap Core</b>						
25% percentile			62%	38%		
50% percentile		24%	76%			
75% percentile	21%	79%				
<b>Mid Cap Growth</b>						
25% percentile			17%	72%	10%	
50% percentile			100%			
75% percentile		90%	10%			

Source: Morningstar, Fiducient Advisors Analysis

**Color Key:** Dark Green:  $\geq 75\%$   
 Light Green: 50-74%  
 Yellow: 25-49%

### Peer Group Rank Required to Match the Benchmark Return

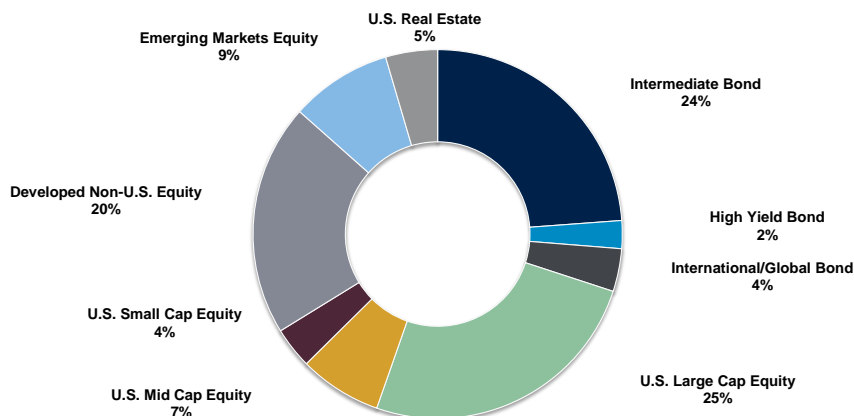
For a hypothetical 70 percent equity and 30 percent fixed income portfolio highlighted in **Exhibit 9**, the required peer group ranking of each of the 17 asset classes to match the weighted index return<sup>7</sup> is the 39<sup>th</sup> percentile. One can

<sup>7</sup>This analysis does not incorporate rebalancing and does not adjust for survivorship bias.

see in **Exhibit 10** that simply matching the median return in each asset class was not good enough to beat the weighted benchmark return.

### Exhibit 9

Hypothetical 70/30 Portfolio



Source: Fiducient Advisors Frontier Engineer®

### Exhibit 10

Fund return and excess return by asset class and ranking

Category	Asset Mix	10-Year Index Return	Index Peer Group Rank	Absolute Top Funds		Top Quartile Funds		39th Percentile Funds (Required to Match Indices)		Median Funds		Bottom Quartile Funds		Absolute Bottom Funds	
				Return	Excess Return	Return	Excess Return	Return	Excess Return	Return	Excess Return	Return	Excess Return	Return	Excess Return
Intermediate Bond	24%	3.8%	52	4.9%	1.1%	4.2%	0.3%	4.0%	0.2%	3.9%	0.0%	3.5%	-0.3%	1.7%	-2.1%
High Yield Bond	2%	6.8%	9	7.3%	0.5%	6.1%	-0.7%	6.0%	-0.8%	5.8%	-1.0%	5.5%	-1.3%	1.4%	-5.4%
International/Global Bond	4%	2.0%	83	4.9%	2.9%	3.5%	1.5%	3.2%	1.2%	3.1%	1.1%	2.2%	0.2%	-1.2%	-3.2%
Large Cap Value	8%	10.5%	31	12.4%	1.9%	10.7%	0.2%	10.3%	-0.2%	9.9%	-0.6%	8.9%	-1.6%	0.7%	-9.8%
Large Cap Core	8%	13.9%	10	15.0%	1.1%	13.6%	-0.3%	13.0%	-0.8%	12.6%	-1.3%	11.7%	-2.2%	-0.4%	-14.3%
Large Cap Growth	8%	17.2%	18	21.9%	4.7%	16.5%	-0.7%	15.7%	-1.5%	15.3%	-1.9%	13.5%	-3.7%	6.9%	-10.4%
Mid Cap Value	2%	10.5%	12	11.7%	1.2%	10.0%	-0.4%	9.7%	-0.8%	9.3%	-1.2%	8.4%	-2.1%	5.9%	-4.6%
Mid Cap Core	2%	12.4%	13	13.5%	1.1%	11.3%	-1.1%	11.0%	-1.4%	10.4%	-2.0%	9.4%	-3.0%	5.4%	-7.0%
Mid Cap Growth	2%	15.0%	32	20.5%	5.5%	15.3%	0.2%	14.8%	-0.3%	14.1%	-0.9%	12.3%	-2.7%	7.8%	-7.2%
Small Cap Value	1%	8.7%	31	10.5%	1.8%	8.8%	0.2%	8.3%	-0.4%	7.9%	-0.7%	6.8%	-1.8%	4.1%	-4.5%
Small Cap Core	1%	11.2%	20	12.7%	1.5%	11.0%	-0.2%	10.4%	-0.8%	10.0%	-1.2%	9.2%	-2.0%	2.1%	-9.1%
Small Cap Growth	1%	13.5%	57	19.9%	6.5%	15.5%	2.1%	14.6%	1.2%	14.1%	0.6%	12.1%	-1.3%	0.2%	-13.3%
International Value	7%	3.4%	66	6.3%	2.9%	4.6%	1.3%	4.4%	1.0%	3.7%	0.3%	3.0%	-0.3%	-1.9%	-5.3%
International Core	7%	5.4%	55	9.4%	4.0%	6.1%	0.7%	5.8%	0.4%	5.5%	0.1%	4.9%	-0.5%	0.3%	-5.1%
International Growth	7%	7.3%	66	14.3%	7.0%	8.8%	1.5%	8.3%	1.0%	7.8%	0.5%	6.7%	-0.6%	5.1%	-2.2%
Emerging Markets	9%	4.0%	44	7.3%	3.3%	5.4%	1.4%	4.5%	0.5%	3.7%	-0.3%	2.6%	-1.4%	-0.9%	-4.9%
Real Estate	5%	8.3%	52	13.5%	5.2%	9.0%	0.7%	8.5%	0.2%	8.3%	0.0%	7.7%	-0.6%	5.1%	-3.2%
Aggregate Excess Return of Managers					2.80%		0.43%		0.00%		-0.39%		-1.25%		-5.89%

Source: Morningstar, Fiducient Advisors Analysis

In **Exhibit 11**, we calculate a “fee bogey” for active managers (on a weighted basis) by estimating the expense drag of employing all the most competitively priced passive funds for each asset class. The active managers in this example



would have to generate approximately 0.72 percent more in annual return to make active management advantageous. Otherwise, an investor would be better off by simply hiring a passive strategy for each portfolio allocation.

### Exhibit 11

Difference in fees for an all active vs. all passive portfolio<sup>8</sup>

Category	Allocation	Adjusted Peer Group Median Expense Ratio <sup>5</sup>	Applicable Index Fund Expense Ratio	Δ Expenses
Intermediate Bond	24%	0.48	0.05	0.43
High Yield Bond	2%	0.74	0.13	0.61
International/Global Bond	4%	0.68	0.11	0.57
Large Cap Value	8%	0.76	0.04	0.73
Large Cap Core	8%	0.76	0.02	0.75
Large Cap Growth	8%	0.80	0.04	0.77
Mid Cap Value	2%	0.95	0.05	0.90
Mid Cap Core	2%	0.95	0.03	0.93
Mid Cap Growth	2%	0.89	0.05	0.84
Small Cap Value	1%	1.02	0.05	0.97
Small Cap Core	1%	0.98	0.03	0.96
Small Cap Growth	1%	1.02	0.05	0.97
International Value	7%	0.93	0.11	0.82
International Core	7%	0.90	0.11	0.79
International Growth	7%	0.91	0.11	0.80
Emerging Markets	9%	1.13	0.08	1.06
Real Estate	5%	0.91	0.07	0.84
<b>Total</b>	<b>100%</b>			
<b>Weighted Average</b>		<b>0.79</b>	<b>0.06</b>	<b>0.72</b>

Source: Morningstar, Fiducient Advisors Analysis

## Passive Fund Options

Based solely on fees, passive strategies have their advantages. However, **Exhibit 12** displays the characteristics of all passively-managed funds with ten-year track records in the same manner as **Exhibit 1** does for actively-managed strategies. If we define success as achieving the top quartile over the last ten years, **Exhibit 12** paints a far less rosy picture for passive investing. For example, there are 12 Intermediate-Term Bond passive funds that have achieved ten-year track records and only one of them finished in the top quartile over the last ten-year period. International Core, Emerging Markets and Real Estate have 15, 4 and 1 passive funds with ten-year track records, respectively, yet

<sup>8</sup> The fees for the “Example Portfolio” are those of our recommended managers in each asset class utilized for a \$150 million nonprofit portfolio with a Discretionary mandate. The applicable passive fund expenses are shown as the lowest cost passive option in each applicable asset class.

each failed to have a single passive fund achieve the top quartile as well. Small Cap Value and Small Cap Core had some winning passive funds, but they had slightly higher rates of below median performance than their actively-managed peers. In fact, the only asset class that is the exception is Large Cap Core, which had a median rank achieve the 23<sup>rd</sup> percentile across 52 observations. This also came with reasonable persistency too as only 11 percent of the total rolling three-year periods for the group was below the median. In retrospect, hiring a low-cost passive strategy in Large Cap Core was a clear winning strategy over the last ten years, but passively-managed strategies in all other asset classes have been significantly less effective to varying degrees. This supports our “pragmatic rather than dogmatic” thesis that the active vs. passive decision ought to be made asset class by asset class.

### Exhibit 12

#### Passive Strategies (Open-Ended Mutual Funds Only)<sup>9</sup>

Asset Class	# of Index Funds with 10 Year Track Records	Peer Rank Relative to Respective Morningstar Category			% of Rolling 3-Year Periods			
		Best 10-Year Peer Rank	Worst 10-Year Peer Rank	Mean 10-Year Peer Rank	% Top Quartile	% Second Quartile	% Third Quartile	% Bottom Quartile
Intermediate Bond	12	5	83	63	9%	22%	48%	22%
High Yield Bond	-	-	-	-	-	-	-	-
International/Global Bond	-	-	-	-	-	-	-	-
Large Cap Value	10	1	99	45	27%	30%	22%	22%
Large Cap Core	52	0	73	23	36%	53%	9%	2%
Large Cap Growth	16	3	95	33	49%	21%	16%	14%
Mid Cap Value	1	76	76	76	0%	14%	48%	38%
Mid Cap Core	16	3	76	28	32%	42%	25%	2%
Mid Cap Growth	3	41	97	77	1%	34%	18%	46%
Small Cap Value	5	6	98	58	24%	27%	25%	24%
Small Cap Core	18	7	88	30	28%	38%	24%	11%
Small Cap Growth	3	54	94	78	6%	39%	34%	21%
International Value	1	27	27	27	48%	41%	10%	0%
International Core	15	35	84	60	3%	43%	46%	8%
International Growth	-	-	-	-	-	-	-	-
Emerging Markets	4	56	95	69	6%	27%	48%	19%
Real Estate	1	38	38	38	14%	48%	38%	0%

*Source: Morningstar, Fiducient Advisors Analysis*

When further analyzing the performance of passively-managed strategies, we would expect the gross of fee return of a strategy to exactly match the underlying index and therefore, the fund should underperform the index on a net basis solely by its fee. **Exhibit 13** takes all open-ended passively-managed mutual funds tracking mainstream benchmarks

<sup>9</sup> The underlying portfolios included in this exhibit are open-ended mutual funds with ten-year track records that are classified as passive strategies based on Morningstar’s definition.

(e.g. Standard & Poor's, Bloomberg Barclays, Russell, MSCI, CRSP, FTSE, etc.) and calculates the excess return over the last ten years of each strategy over our preferred benchmark in each space<sup>10</sup>. If we then back out each fund's expense ratio, we can determine which asset classes performed in line with the theoretical expectation of passively-managed funds. In some examples such as Large Cap Core equities and intermediate bonds, the average passive fund underperformed its benchmark by almost exactly its fee. However, High Yield was the opposite where the three applicable passive strategies underperformed their stated benchmarks by more than 0.85 percent after deducting fees, which is evidence of a difficult to replicate index. Further, Emerging Markets underperformed by far more than the average fee, which ought to overwhelm investors favoring passive strategies across the board.

### Exhibit 13

#### Passive Performance<sup>11</sup>

Category	Number of Index Funds with 10-Year Track Records	Average Index Fund Fee Last Ten Years	Average Excess Return Last 10 Years	Average Excess Return less 10 Year Avg Fee
Short Term Bond	2	0.12%	0.97%	1.09%
Intermediate Bond	12	0.25%	-0.17%	0.08%
TIPS	2	0.16%	-0.65%	-0.49%
Intermediate Muni	1	0.57%	1.02%	1.59%
Long Term Bond	2	0.06%	0.05%	0.12%
High Yield Bond	3	0.47%	-1.31%	-0.85%
Large Cap Value	10	0.77%	-0.78%	0.00%
Large Cap Core	52	0.30%	-0.30%	0.00%
Large Cap Growth	16	0.86%	-0.52%	0.34%
Mid Cap Value	1	1.77%	-2.19%	-0.42%
Mid Cap Core	16	0.46%	-0.94%	-0.48%
Mid Cap Growth	3	1.25%	-3.59%	-2.34%
Small Cap Value	5	1.10%	-1.46%	-0.35%
Small Cap Core	18	0.53%	-0.39%	0.14%
Small Cap Growth	3	1.17%	-1.70%	-0.53%
International Value	1	0.31%	1.18%	1.49%
International Core	15	0.34%	-0.14%	0.20%
International Small Cap	2	0.31%	-2.49%	-2.19%
Global Equity	2	0.52%	-0.55%	-0.03%
Emerging Markets	4	0.35%	-1.33%	-0.99%
Real Estate	1	0.25%	0.23%	0.48%
Global Real Estate	1	0.53%	-1.44%	-0.92%
Commodities	2	1.13%	-0.85%	0.28%
<b>Total / Average</b>	<b>174</b>	<b>0.61%</b>	<b>-0.83%</b>	<b>-0.22%</b>

Source: Morningstar, Fiducient Advisors Analysis

<sup>10</sup> Since no open-ended mutual funds exist for Corporate High Yield, the data above reference three well-known ETFs in the space.

<sup>11</sup> Open-ended mutual funds that Morningstar classified as passively managed were included in the analysis, as well as the three previously mentioned Corporate High Yield ETFs. Given the theoretical construct that a passively-managed fund ought to underperform its benchmark by its fees, we calculate each fund's excess return over the last ten years relative to our preferred benchmark for the asset class and subtract the expense ratio to determine whether a passive strategy achieved its theoretical expectation.

## Conclusion

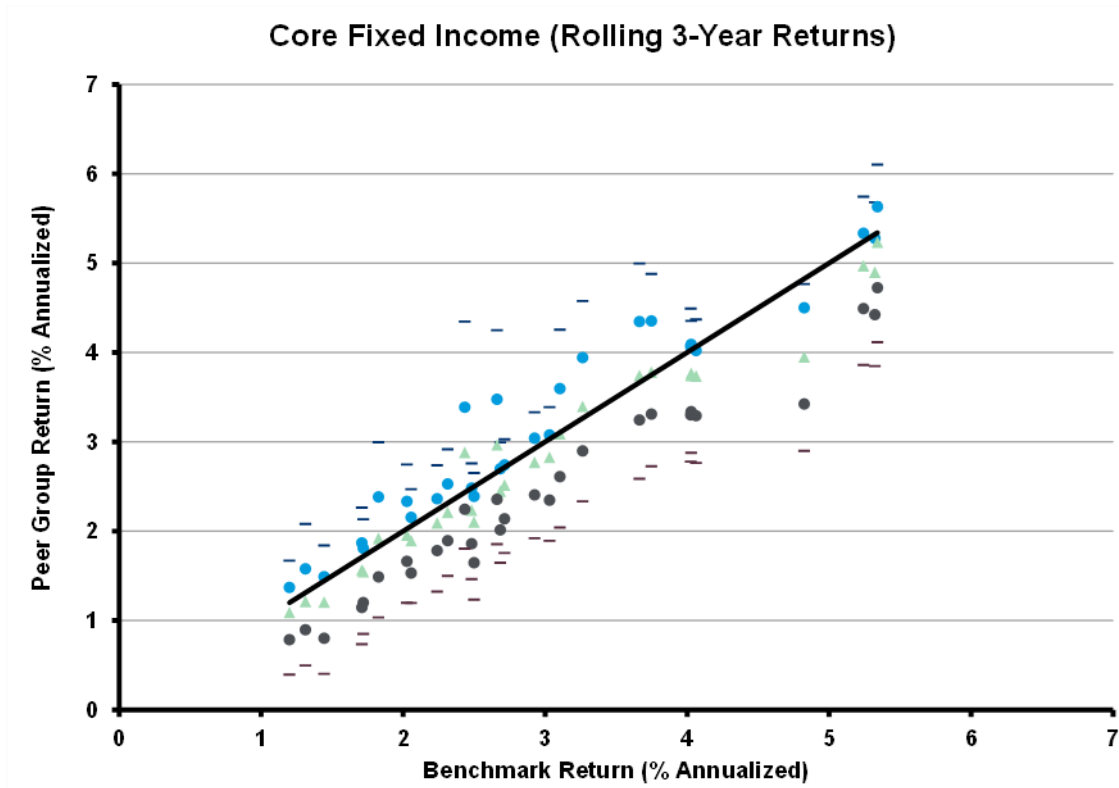
Regardless of whether an active or passive strategy is selected, an investor should understand that poor results are not an if, but rather a when. Performance lulls are inevitable. Patience will eventually be tested whether an active or passive strategy is employed. Simply choosing a passive strategy does not insulate from poor peer group rankings and might even guarantee exclusion from top quartile performance over longer periods. In due course, great long-term performing managers will fall to the bottom half of peer groups over multiple three- and five-year periods. To generate strong long-term results, investors must stay invested through the lulls. Moving to a passively managed strategy during difficult periods often does not work either and switching between the two based on trailing returns can be counterproductive. No matter what path an investor takes, patience continues to be a prerequisite for success.

For more information, please contact any of the professionals at Fiducient Advisors.

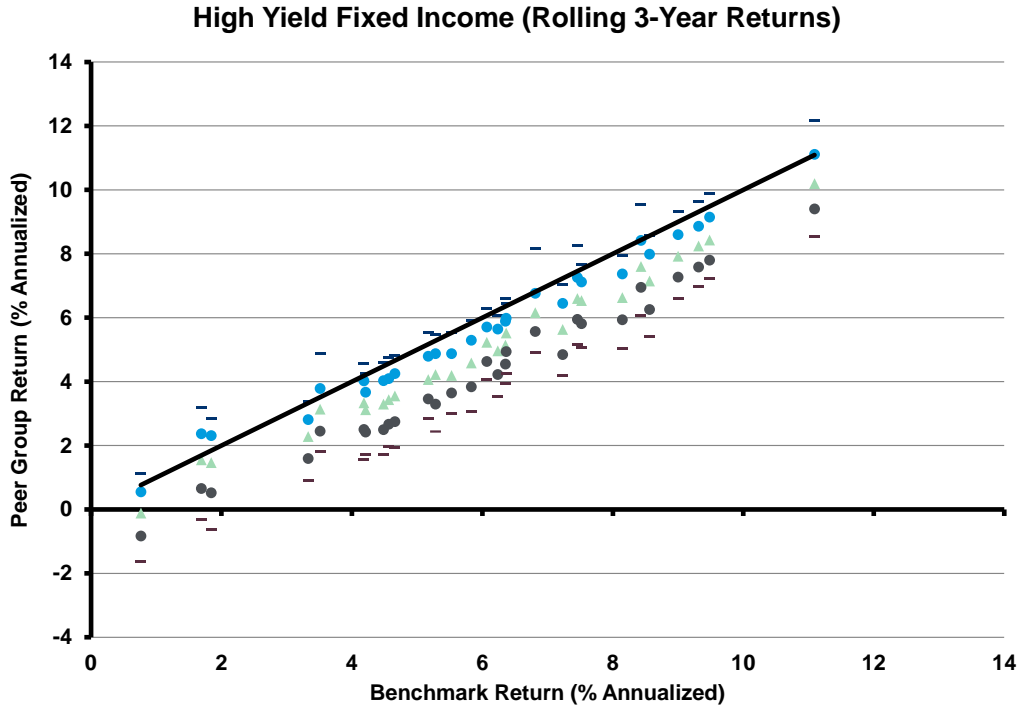
## Appendix

Rolling three-year percentile ranks for all 17 asset classes<sup>5</sup>  
 (10 years ending December 31, 2020)

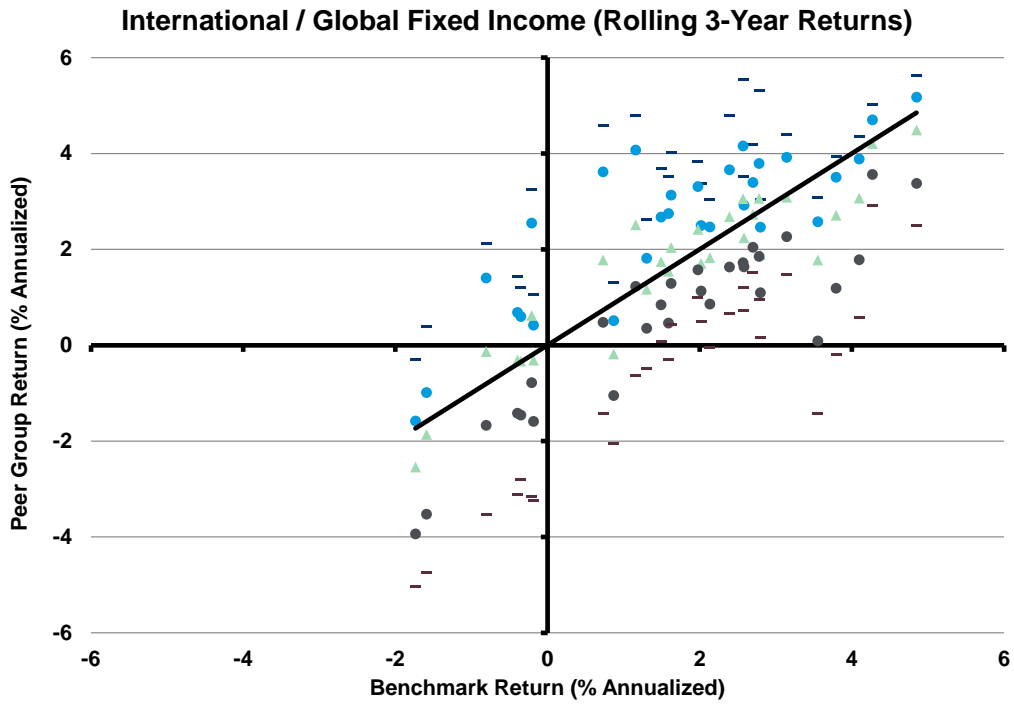
- 10th Percentile
- 25th Percentile
- ▲ 50th Percentile
- 75th Percentile
- 90th Percentile
- Linear (Benchmark)



Source: Morningstar, Fiducient Advisors Analysis

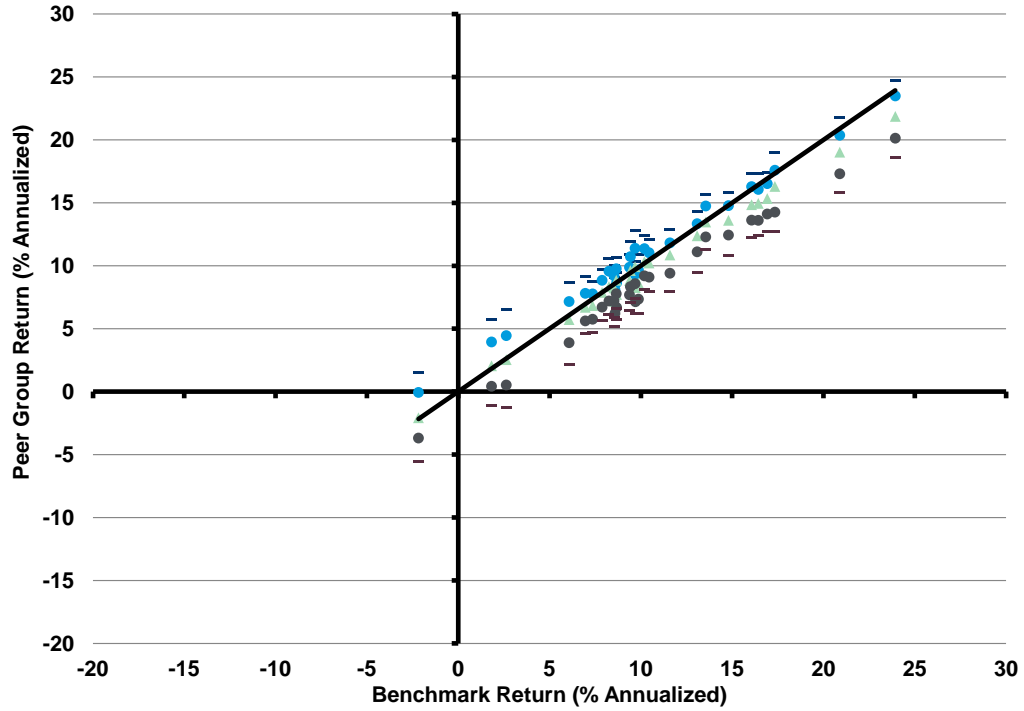


Source: Morningstar, Fiducient Advisors Analysis



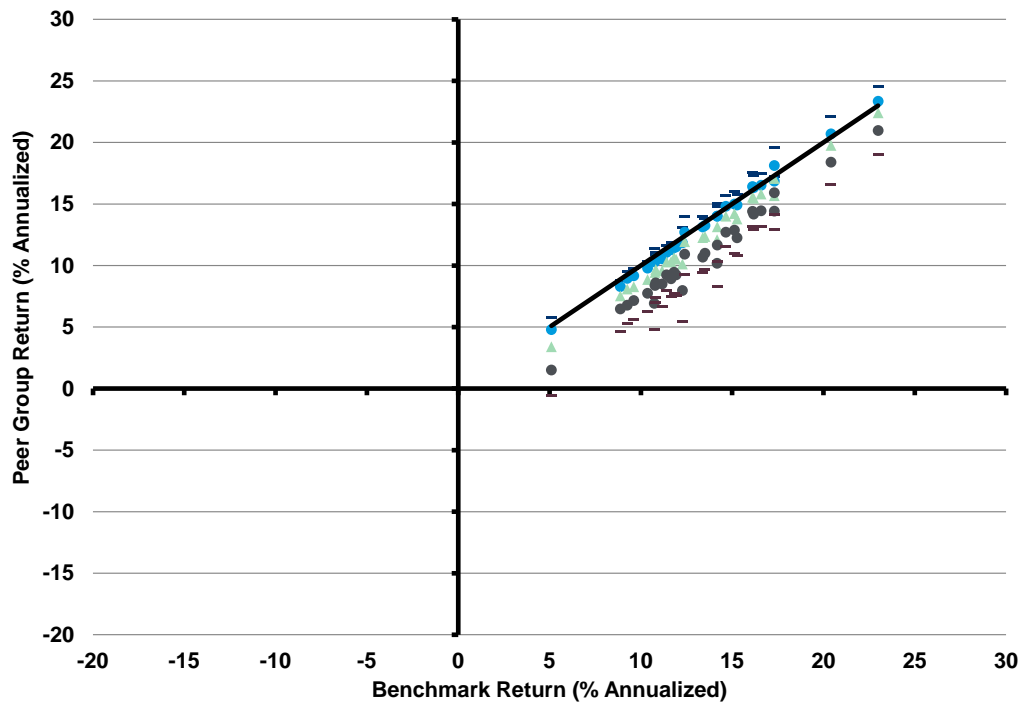
Source: Morningstar, Fiducient Advisors Analysis

### Large Cap Value (Rolling 3-Year Returns)



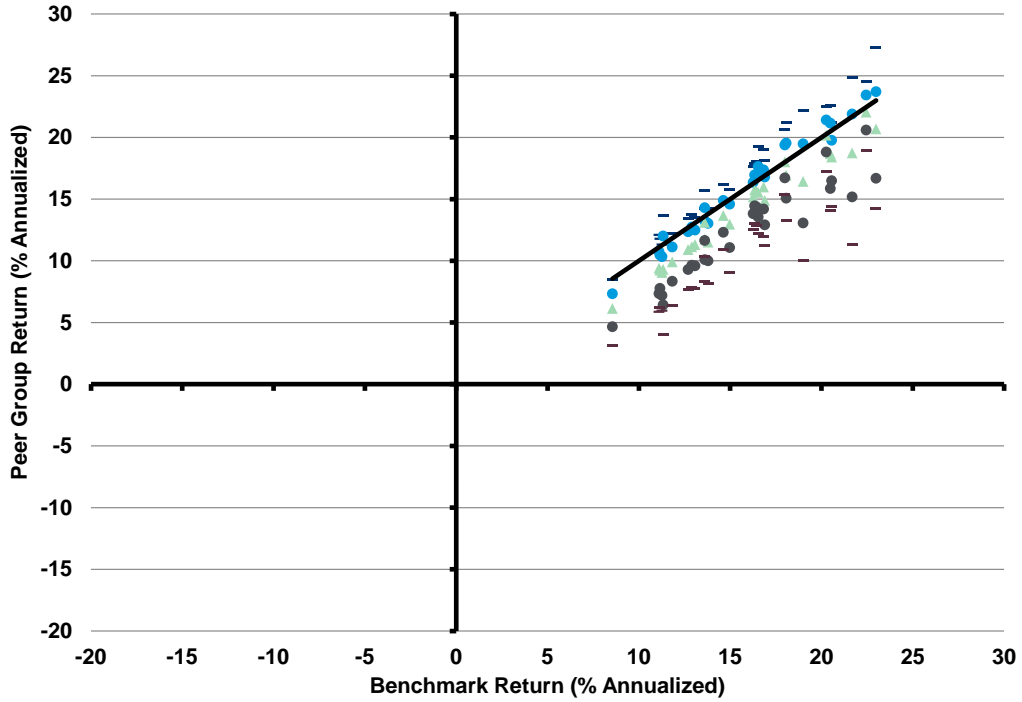
Source: Morningstar, Fiducient Advisors Analysis

### Large Cap Core (Rolling 3-Year Returns)



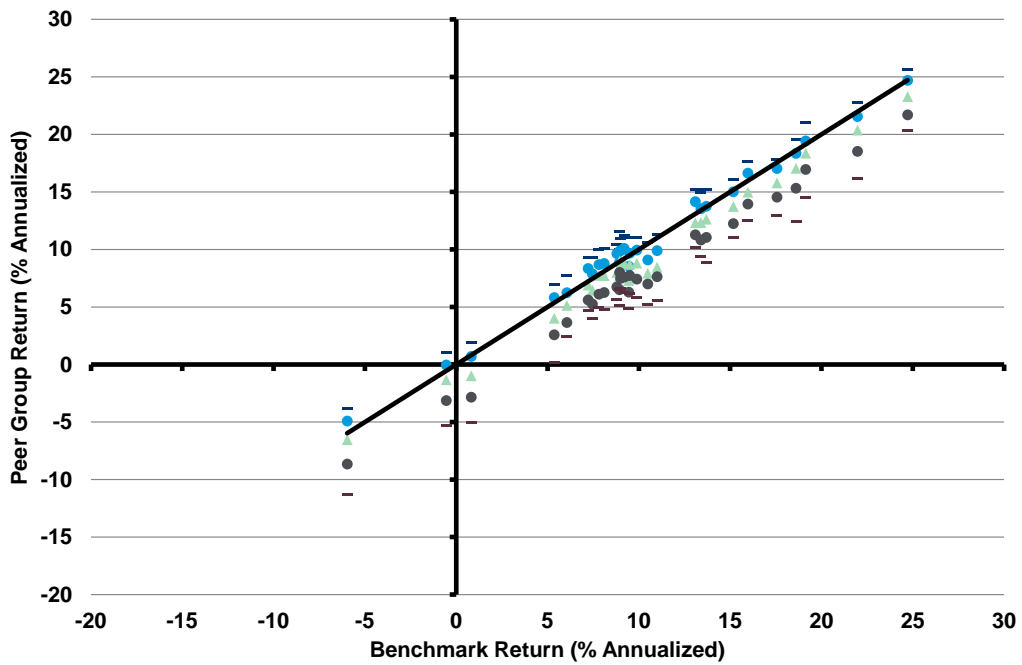
Source: Morningstar, Fiducient Advisors Analysis

### Large Cap Growth (Rolling 3-Year Returns)



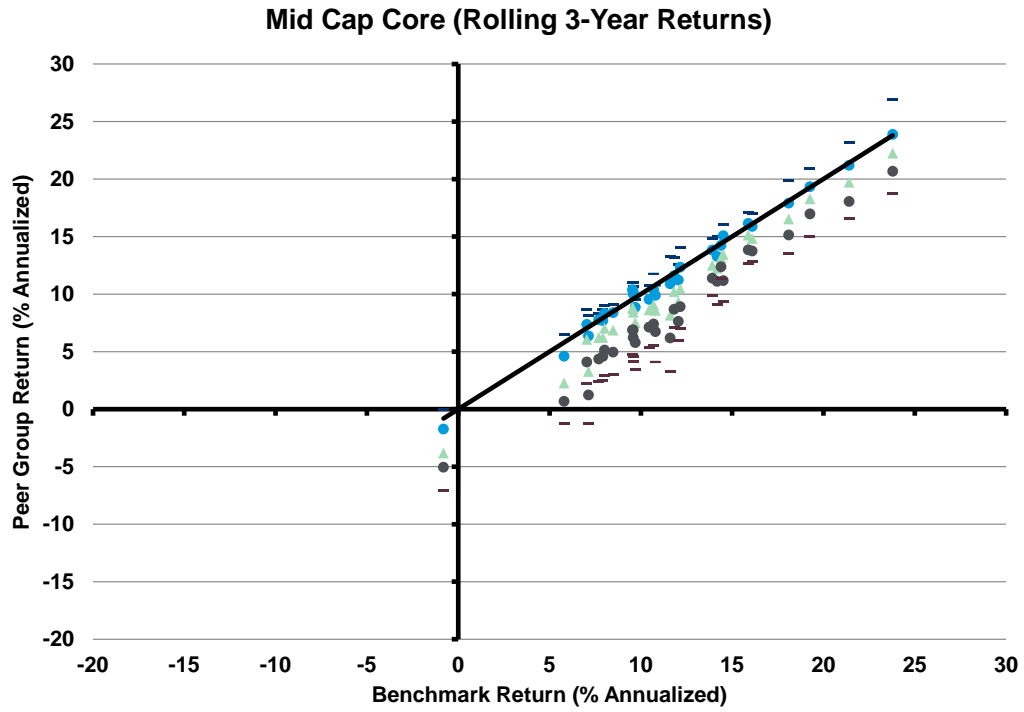
Source: Morningstar, Fiducient Advisors Analysis

### Mid Cap Value (Rolling 3-Year Returns)

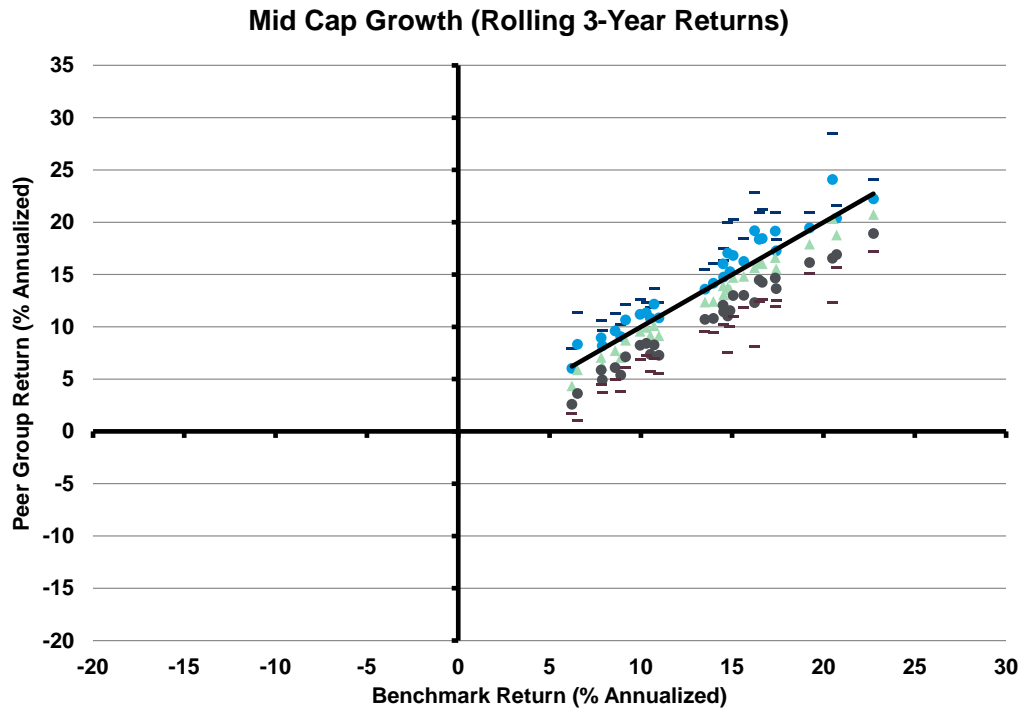


Source: Morningstar, Fiducient Advisors Analysis

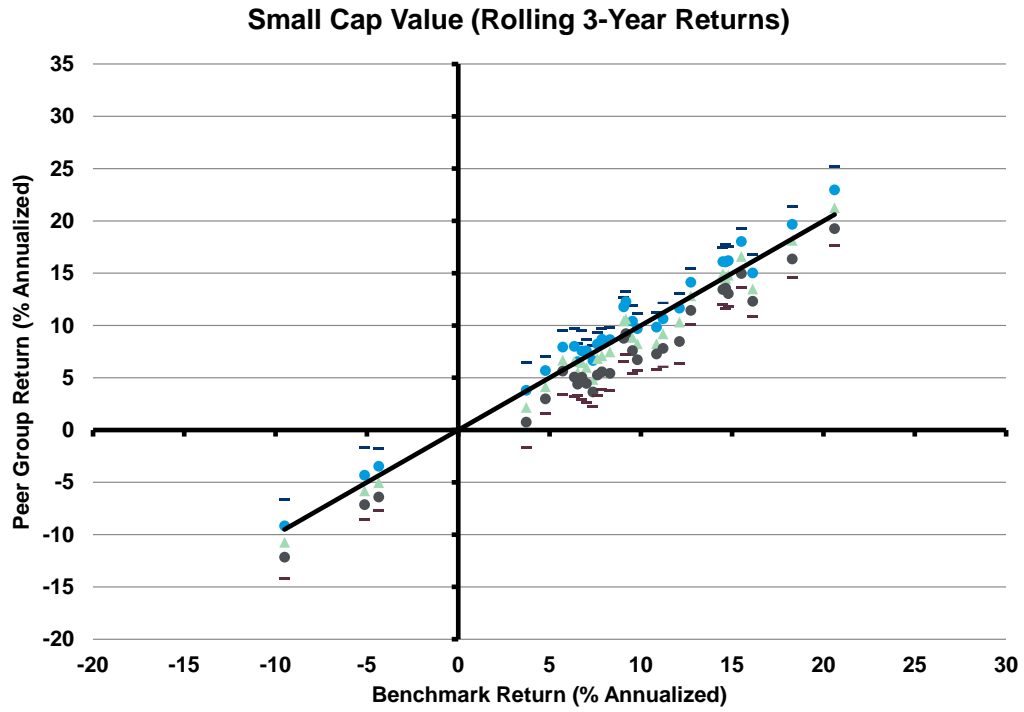




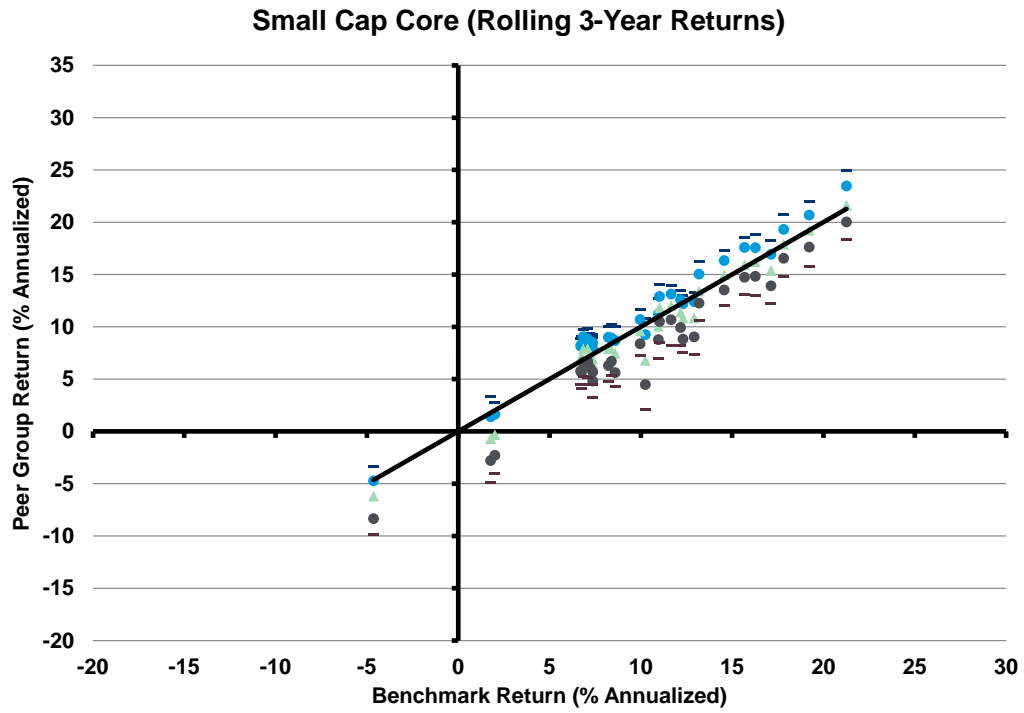
Source: Morningstar, Fiducient Advisors Analysis



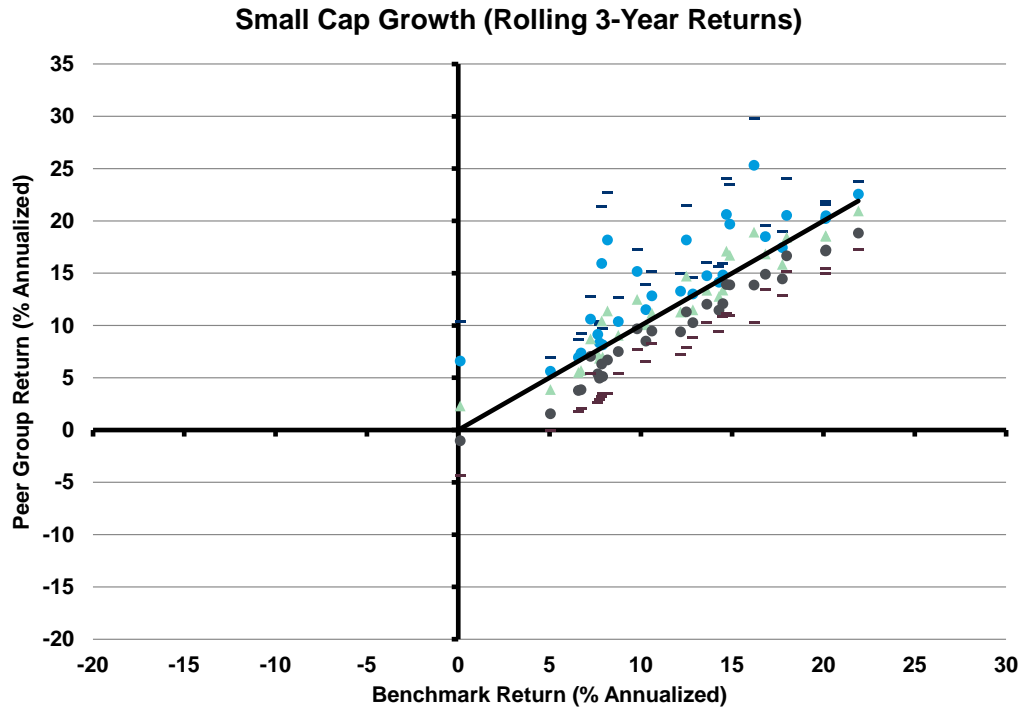
Source: Morningstar, Fiducient Advisors Analysis



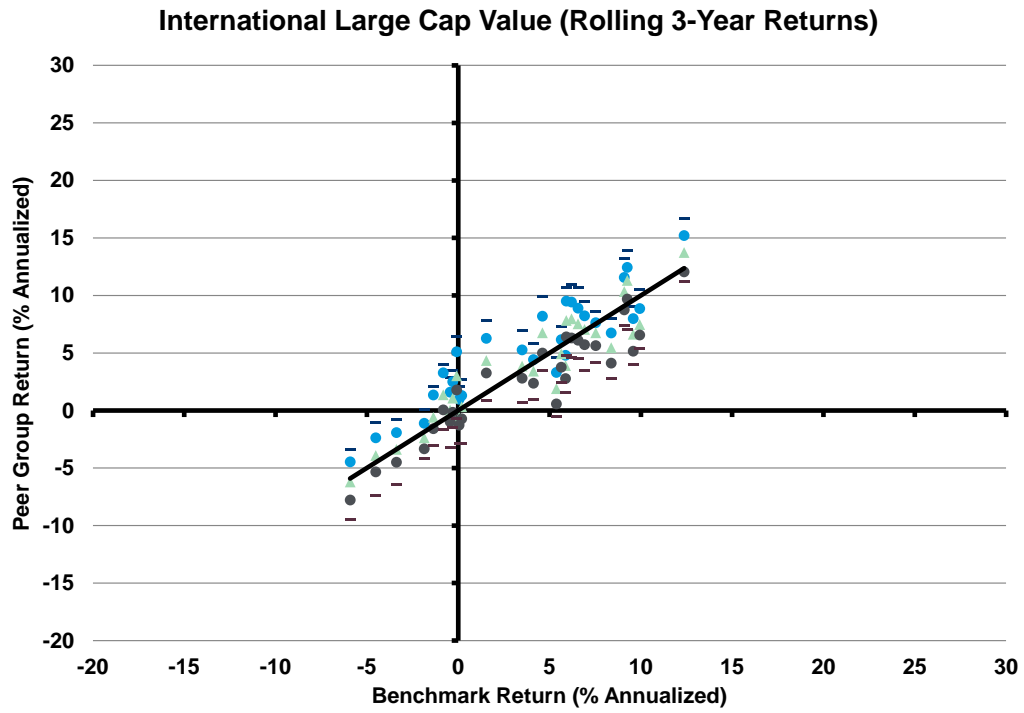
Source: Morningstar, Fiducient Advisors Analysis



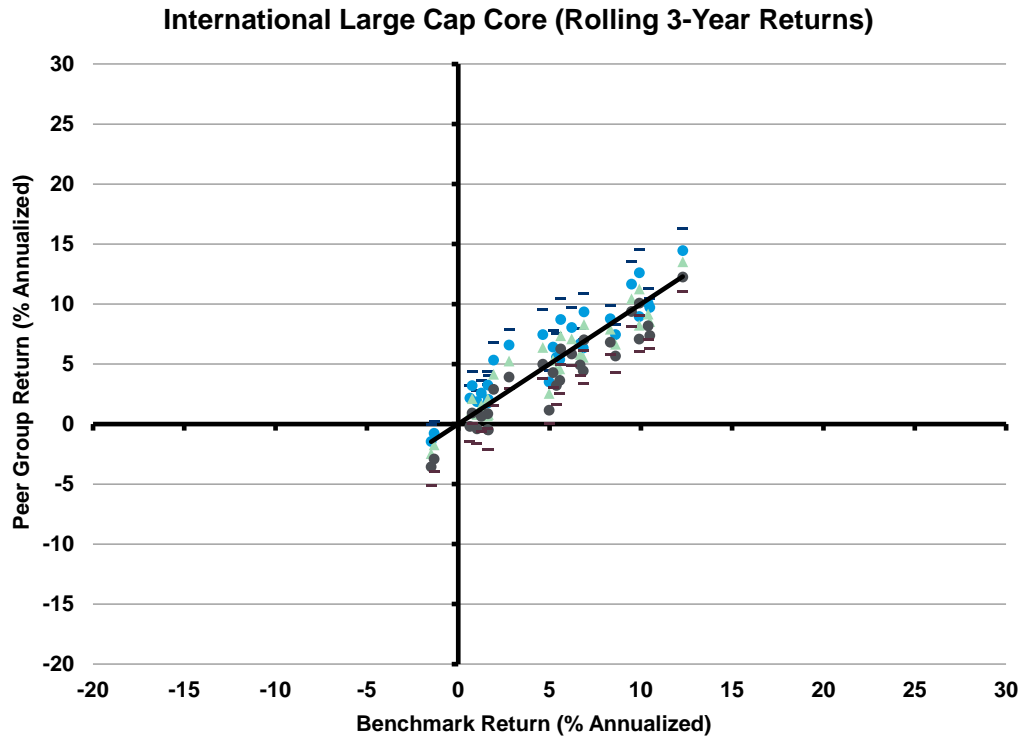
Source: Morningstar, Fiducient Advisors Analysis



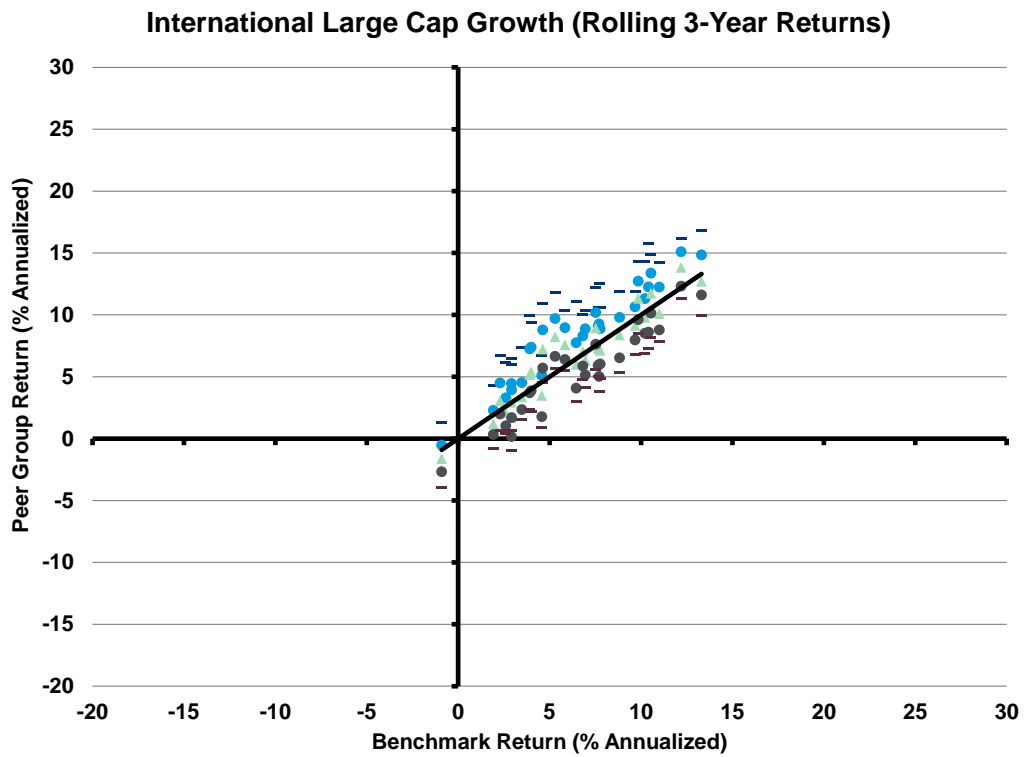
Source: Morningstar, Fiducient Advisors Analysis



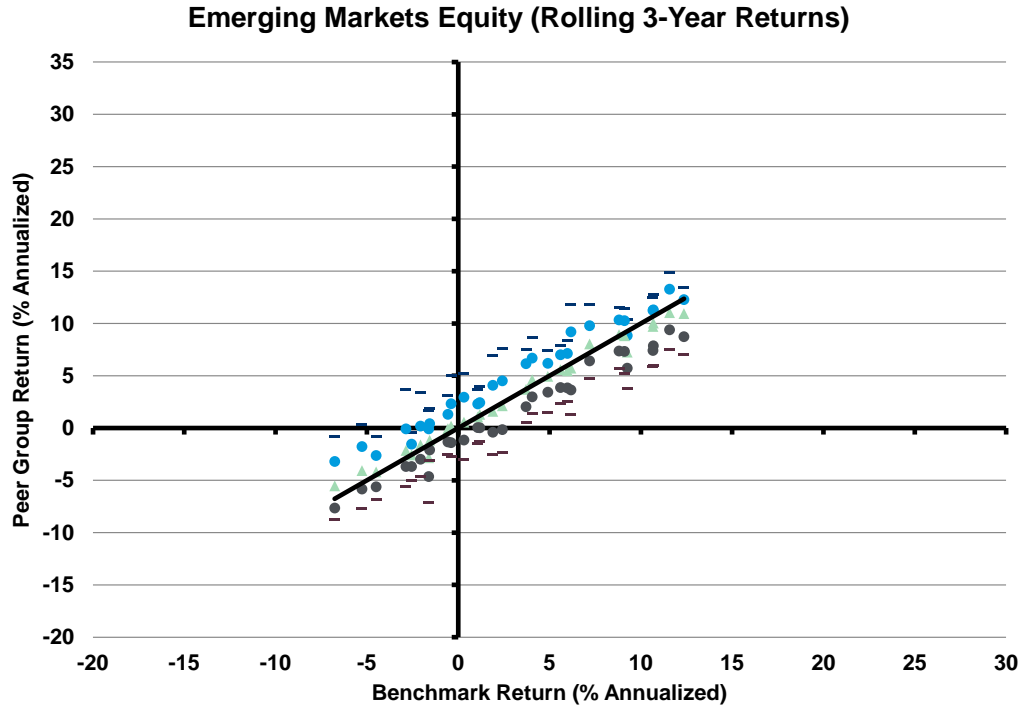
Source: Morningstar, Fiducient Advisors Analysis



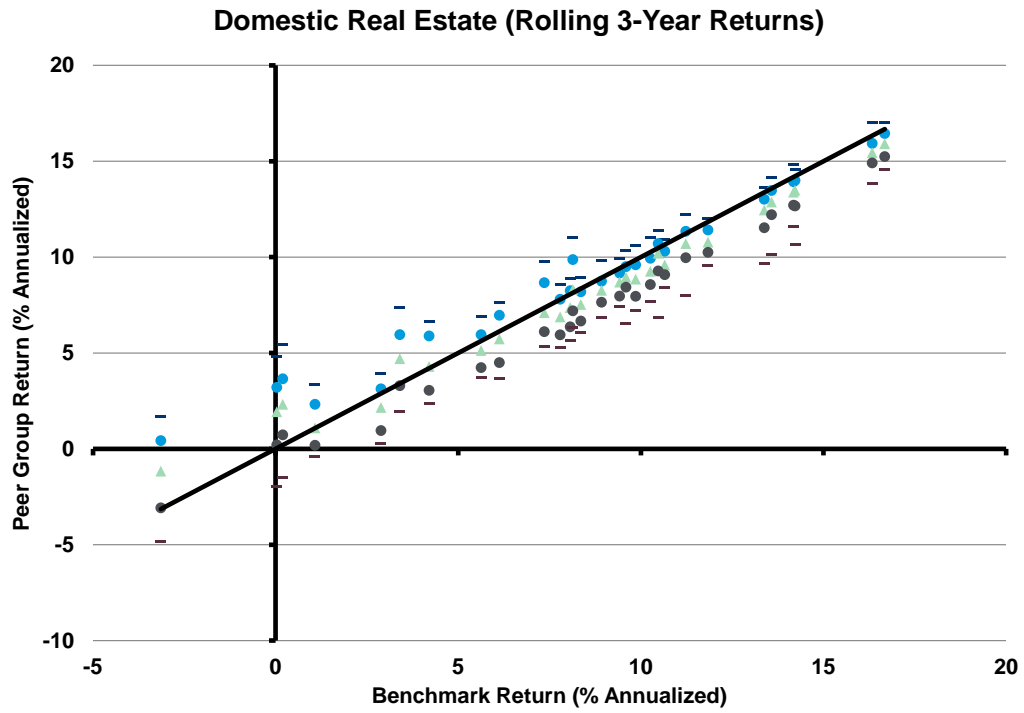
Source: Morningstar, Fiducient Advisors Analysis



Source: Morningstar, Fiducient Advisors Analysis



Source: Morningstar, Fiducient Advisors Analysis



Source: Morningstar, Fiducient Advisors Analysis

## About the Authors



Anthony Novara, CFA  
*Principal, Research Director -  
Global Hedge Fund Strategies and  
Capital Markets*

Anthony joined Fiducient Advisors in 2011. Anthony directs the firm's Hedge Fund research effort and chairs the firm's Capital Markets Team. He is a voting member of the firm's Investment Committee and a member of the firm's Discretionary Committee, Research Forum and Global Hedge Fund Strategies Group. Prior to joining the firm, Anthony held various roles at National City, Conversus Asset Management and William Blair & Company. Anthony received a BA in Finance from the Eli Broad College of Business at Michigan State University and an MBA from the University of Chicago Booth School of Business with concentrations in Analytic Finance, Economics & Entrepreneurship. He is a CFA® charterholder and member of the CFA Society Chicago and CFA Institute. Anthony is actively involved with YearUp, a nonprofit providing urban young adults with the skills, experience and support to pursue professional careers and higher education. He is also on the Advisory Board for the Michigan State University Financial Markets Institute and serves as Midwest Regional Director of the Hedge Fund Association. In his free time, Anthony enjoys playing guitar, golf, running after his two young sons and all things Michigan State Spartans.



Collin McGee, CFA  
*Research Analyst – Global Public Markets*

Collin researches and performs operational due diligence on core investment managers and is a team member of the firm's Global Public Markets Group and Mission-Aligned Investing Committee. Collin joined the firm in 2015 as a performance analyst. Previously, he was a Portfolio Administration Analyst at McDonnell Investment Management. Collin graduated from the University of Iowa with a BBA in Finance and Minor in Economics. He is a CFA® charterholder and a member of the CFA Society of Chicago. In his free time, Collin enjoys skiing, cooking and performing acoustic guitar throughout Chicago.



Matthew Rice, CFA, CAIA<sup>SM</sup>  
*Managing Partner,  
Chief Investment Officer*

Matt joined Fiducient Advisors in 2001. As Fiducient Advisors' Chief Investment Officer, Matt directs the firm's capital markets, investment strategy, asset allocation modeling and alternative investments efforts. He also advises a number of the firm's corporate and nonprofit clients. Matt is the Chair of the firm's Research Forum and a voting member of the firm's Investment Committee. He is also a member of the firm's Discretionary Committee and Capital Markets Team. Matt has co-authored two books, including *Nonprofit Asset Management* (John Wiley & Sons), which was published in 2012 and *The Practical Guide to Managing Nonprofit Assets* (John Wiley & Sons), published in 2005. Matt is a CFA® charterholder and member of the CFA Society Chicago and a Chartered Alternative Investment Analyst (CAIA<sup>SM</sup>). Matt received a BA in Economics from Northwestern University, where he also played on the 1995 and 1996 Big Ten championship football teams. Matt now leads an easier lifestyle chasing after his two young children.

**Town of Glastonbury**

**Administrative Services**  
**Accounting Division**

September 15, 2022

**To:** Board of Finance  
Richard J. Johnson, Town Manager

**From:** Narae L. McManus, Controller

**Subject:** Monthly Investment Status

**Pooled Investments**

The Town’s pooled cash investment balances at August 31, 2022 were \$137,531,871. As of month-end, the investment balances for all funds combined were as follows:

<b>Type of Investment</b>	<b>Amount</b>	<b>Rate</b>	
STIF	\$78,088,494	2.22	
Citizens Bank	225,228	0.10	
Northern Capital Investment Account	13,847,269	0.15-3.40	Est. current accrued interest \$44,268
Northern Capital Sewer Funds	9,567,416	0.25-3.50	Est. current accrued interest \$10,818
Treasury Bills – LPL Financials	29,997,005	2.41-3.09	Mature Oct. 2022 – Feb. 2023
People’s United Investments	21,093	0.10	
Liberty Bank Investments	273,986	0.55	
TD Bank Investments	499,505	1.00	
TD Bank CD	<u>5,011,875</u>	3.02	Matures 2/13/23
<b>Total</b>	<b><u>\$137,531,871</u></b>		

**General Fund Earnings**

- The General Fund portion of pooled investments at August 31 was \$96.6 million.
- As of August 31, the General Fund has realized investment earnings of \$194,868.
- As of August 31, Sewer Sinking funds totaling \$9,480,000 were invested in fully-insured CDs with terms varying from 6 months to six years, with current-year realized investment earnings of \$9,675.

Comparative information concerning General Fund earnings follows.

<b>Fiscal Year</b>	<b>Budget</b>	<b>Realized Investment</b>	
		<b>Earnings July-August</b>	<b>Percent of Budget</b>
2022	\$195,000	17,949	9.20 %
2023	620,000	194,868	31.43

**TOWN OF GLASTONBURY**  
ADMINISTRATIVE SERVICES - Financial Administration

BOF 10/19/22  
Item # 6

October 12, 2022

TO: Board of Finance and  
Richard J. Johnson, Town Manager

FROM: *MD* Melissa Dionne, Budget/Finance Analyst

RE: Financial Summary for the Three Months Ended September 30, 2022 (FY 2022/23)

**Revenues & Transfers Summary:**

Following is a comparison of revenues received to date, percent of budget collected and percent of revenue category to the total Town budget for the current and previous fiscal year.

Fiscal Year	Amend/Budget	Actual Through September	Actual % of Budget Collected	Category as % of Total Town Budget
<b>Tax Revenues</b>				
2021/2022	160,940,802	88,617,613	55%	93%
2022/2023	163,548,948	90,341,394	55%	92%
<b>Licenses &amp; Permits</b>				
2021/2022	1,313,100	701,105	53%	1%
2022/2023	1,369,645	507,059	37%	1%
<b>Intergovernmental</b>				
2021/2022	6,945,258	279,493	4%	4%
2022/2023	8,799,839	2,099,824	24%	5%
<b>Charges for Services</b>				
2021/2022	1,400,303	428,619	31%	1%
2022/2023	1,573,403	458,392	29%	1%
<b>Other Revenues</b>				
2021/2022	1,148,867	196,070	17%	1%
2022/2023	1,630,727	345,675	21%	1%

At the end of the first quarter, the Town collected \$93.8m in revenues, which represents an increase of \$3.1m when compared to the previous year for the same period. The majority of the year-over-year change is related to:

- Intergovernmental revenues were \$1.8m higher due to ST/CT Motor Vehicle Grant of \$1.79m.
- Tax Revenues collected were approximately \$1.7m higher than the prior year. This increase was largely driven by the Current Levy
- Licenses & Permits were \$0.2m lower largely due to lower Building Inspection Fees for FY23.
- Other Revenues were \$0.15m higher than the prior year, driven by higher Interest on Investments.

To finance the 2022/23 revised budget, a revenue budget of \$177.8m was established and comprised of revenues, transfers and an appropriation from Fund Balance. Actual collections booked thus far total \$93.8m, or \$84.0m below budget. The biggest drivers of the variance include:

- Tax revenues: \$73.2m below budget (largely Current Levy and Auto Supplemental).
- Intergovernmental: \$6.7m below budget (\$5.4m ECS grant, \$0.4m State Stabilization Grant, \$0.2m Housing Authority and \$0.2m Vocational Agriculture).

cc: Karen Bonfiglio, Finance Manager; Narae McManus, Controller



- Other Revenues: \$1.3m below budget (\$0.4m Educational Vo Ag Tuition, \$0.4m interest on investment and, \$0.2m Property Rentals).
- Charges for Services: \$1.1m below budget (\$0.7m Town Clerk Recording & Conveyance Fees, \$0.2m Solid Waste Tip Fees, \$0.15m Parks & Rec and Senior Fees).
- Licenses & Permits: \$0.9m below budget (\$0.6m Building Inspection Fees, \$0.1m Refuse Permit Fees and \$0.1m Health).
- Budgeted General Fund Appropriation from Fund Balance of \$875k not yet booked.

**Expenditure Summary:**

Through September 30, 2022, encumbrances total \$79.2m and expenditures total \$46.5m. Combined, this represents 70% of the Town's revised general fund budget of \$178.3m. This compares to \$90.0m and \$42.1m respectively, or 76%, for the same period in the prior year.

The expenditure increase of \$4.5m is driven by the Town (+\$0.7m) and BOE (\$3.8m). The Expenditure increase for both the Town and BOE is largely contributed to having three payrolls in September 2022 and only two in September 2021. This was slightly offset by the annual Pension contribution, which was \$434k lower (\$352k Town / \$93k BOE) than the previous year's annual contribution.

Below is an Expenditure & Transfer summary report through September 30, 2022.

**FINANCIAL COMPARISONS**

*The below comparison includes Education encumbrance amounts not reflected in the Town's system Reports.*

Fiscal Year	Amend/Budget	Expended	Encumbered	Comit %
<b><u>2021/2022</u></b>				
Town	\$ 46,715,394	\$ 16,038,489	\$ 16,638,553	70%
Education	113,549,684	18,359,519	68,386,521	76%
Debt/Transfers	13,073,742	7,672,929	4,994,524	97%
<b><u>2022/2023</u></b>				
Town	\$ 48,017,592	\$ 16,770,409	\$ 16,717,868	70%
Education	116,937,381	22,143,690	57,351,377	68%
Debt/Transfers	13,382,486	7,626,824	5,081,557	95%

Expenditure comparisons of the three major Town Departments are presented below:

	2021/2022	%	2022/2023	%
ADMIN SERVICES	\$ 6,419,889	43%	\$ 6,550,872	46%
PUBLIC SAFETY	16,180,727	38%	16,773,532	38%
PHYSICAL SERVICES	7,448,724	25%	7,598,131	26%

**TOWN OF GLASTONBURY**  
**CURRENT YEAR EXPENDITURES BY DIVISION**  
**FY 2023 THROUGH SEPTEMBER 30 2022**

**FUND 010 - GENERAL FUND**

Description	2023 ORIGINAL BUDGET	2023 REVISED BUDGET	FY2023 THRU SEPTEMBER	2023 ENCUMB	AVAILABLE BALANCE	2023 % USED
<b>GENERAL GOVERNMENT</b>						
TOWN COUNCIL	154,692	155,742	69,642	22,392	63,708	59.1%
CUSTOMER SERVICE	67,554	67,554	18,119	1,081	48,355	28.4%
TOWN MANAGER	814,047	834,464	250,361	306,285	277,818	66.7%
HUMAN RESOURCES	732,741	732,741	227,345	237,000	268,396	63.4%
FACILITIES MAINTENANCE	1,967,540	1,975,006	514,926	670,899	789,180	60.0%
<b>TOTAL GENERAL GOVERNMENT</b>	<b>3,736,574</b>	<b>3,765,508</b>	<b>1,080,393</b>	<b>1,237,657</b>	<b>1,447,458</b>	<b>61.6%</b>
<b>COMMUNITY DEVELOPMENT</b>						
COMMUNITY DEVELOPMENT	747,452	747,452	251,703	207,973	287,777	61.5%
BUILDING INSPECTION	593,540	593,540	238,760	260,550	94,230	84.1%
FIRE MARSHAL	375,417	399,339	133,827	170,230	95,282	76.1%
HEALTH	792,325	792,325	297,967	332,757	161,600	79.6%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>2,508,734</b>	<b>2,532,656</b>	<b>922,257</b>	<b>971,511</b>	<b>638,889</b>	<b>74.8%</b>
<b>ADMINISTRATIVE SERVICES</b>						
FINANCIAL ADMINISTRATION	789,114	789,114	250,609	243,806	294,698	62.7%
INFORMATION TECHNOLOGY	1,037,345	1,047,138	387,744	318,060	341,335	67.4%
ACCOUNTING	515,607	515,607	192,054	236,151	87,403	83.0%
PROPERTY ASSESSMENT	662,127	662,127	240,571	255,319	166,237	74.9%
REVENUE COLLECTION	495,132	495,132	178,781	196,845	119,506	75.9%
TOWN CLERK	592,610	592,610	197,887	272,004	122,719	79.3%
VOTER REGISTRATION	203,847	203,847	61,157	459	142,230	30.2%
LEGAL SERVICES	300,000	300,000	37,785	-	262,215	12.6%
PROBATE SERVICES	24,800	24,800	3,161	13,279	8,360	66.3%
INSURANCE/PENSIONS	1,920,497	1,920,497	1,438,841	227,455	254,201	86.8%
<b>TOTAL ADMINISTRATIVE SERVICES</b>	<b>6,541,079</b>	<b>6,550,872</b>	<b>2,988,590</b>	<b>1,763,378</b>	<b>1,798,904</b>	<b>72.5%</b>
<b>PUBLIC SAFETY</b>						
POLICE	15,058,422	15,242,268	5,953,508	5,774,477	3,514,282	76.9%
VOLUNTEER AMBULANCE	3,175	3,175	361	-	2,814	11.4%
FIRE	1,473,759	1,496,599	378,032	332,731	785,835	47.5%
CIVIL PREPAREDNESS	31,490	31,490	6,598	219	24,672	21.7%
<b>TOTAL PUBLIC SAFETY</b>	<b>16,566,846</b>	<b>16,773,532</b>	<b>6,338,500</b>	<b>6,107,428</b>	<b>4,327,604</b>	<b>74.2%</b>
<b>PHYSICAL SERVICES</b>						
ENGINEERING	1,744,221	1,792,904	665,425	830,728	296,751	83.4%
HIGHWAY	4,597,674	4,598,943	1,015,302	1,416,281	2,167,360	52.9%
FLEET MAINTENANCE	1,203,744	1,206,284	285,090	545,440	375,754	68.9%
<b>TOTAL PHYSICAL SERVICES</b>	<b>7,545,639</b>	<b>7,598,131</b>	<b>1,965,816</b>	<b>2,792,449</b>	<b>2,839,866</b>	<b>62.6%</b>

**TOWN OF GLASTONBURY**  
**CURRENT YEAR EXPENDITURES BY DIVISION**  
**FY 2023 THROUGH SEPTEMBER 30 2022**

**FUND 010 - GENERAL FUND**

Description	2023 ORIGINAL BUDGET	2023 REVISED BUDGET	FY2023 THRU SEPTEMBER	2023 ENCUMB	AVAILABLE BALANCE	2023 % USED
<b>SANITATION</b>						
REFUSE DISPOSAL	957,950	964,988	212,049	381,010	371,928	61.5%
<b>TOTAL SANITATION</b>	<b>957,950</b>	<b>964,988</b>	<b>212,049</b>	<b>381,010</b>	<b>371,928</b>	<b>61.5%</b>
<b>HUMAN SERVICES</b>						
CONTRIBUTORY GRANTS	36,000	36,000	10,000	9,000	17,000	52.8%
YOUTH/FAMILY SERVICES	1,799,038	1,800,888	600,566	671,369	528,953	70.6%
SENIOR & COMMUNITY SERVICES	1,526,985	1,555,930	448,756	420,006	687,167	55.8%
<b>TOTAL HUMAN SERVICES</b>	<b>3,362,023</b>	<b>3,392,818</b>	<b>1,059,322</b>	<b>1,100,375</b>	<b>1,233,121</b>	<b>63.7%</b>
<b>LEISURE/CULTURE</b>						
PARKS/RECREATION	4,351,497	4,531,734	1,521,196	1,617,187	1,393,351	69.3%
WELLES TURNER LIBRARY	1,892,353	1,892,353	667,284	746,874	478,195	74.7%
SOUTH GLASTONBURY LIBRARY	7,500	7,500	7,500	-	-	100.0%
EAST GLASTONBURY LIBRARY	7,500	7,500	7,500	-	-	100.0%
<b>TOTAL LEISURE/CULTURE</b>	<b>6,258,850</b>	<b>6,439,087</b>	<b>2,203,480</b>	<b>2,364,061</b>	<b>1,871,546</b>	<b>70.9%</b>
<b>OTHER:Debt &amp; Transfers</b>						
DEBT SERVICE	6,902,429	6,902,429	1,392,779	5,081,557	428,093	93.8%
TRANSFERS	6,480,057	6,480,057	6,234,045	-	246,012	96.2%
<b>TOTAL OTHER:Debt &amp; Transfers</b>	<b>13,382,486</b>	<b>13,382,486</b>	<b>7,626,824</b>	<b>5,081,557</b>	<b>674,105</b>	<b>95.0%</b>
<b>EDUCATION</b>						
EDUCATION	116,937,381	119,615,372	22,448,176	12,900	97,154,296	18.8%
<b>TOTAL EDUCATION</b>	<b>116,937,381</b>	<b>119,615,372</b>	<b>22,448,176</b>	<b>12,900</b>	<b>97,154,296</b>	<b>18.8%</b>
<b>TOTAL 010 - GENERAL FUND</b>	<b>177,797,562</b>	<b>181,015,450</b>	<b>46,845,409</b>	<b>21,812,325</b>	<b>112,357,716</b>	<b>37.9%</b>

## TOWN OF GLASTONBURY

### ADMINISTRATIVE SERVICES - Financial Administration

---

October 12, 2022

TO: Board of Finance  
FROM: *MD* Melissa Dionne, Budget/Finance Analyst  
RE: Capital Projects Fund Expenditures Report  
For the Period Ended September 30, 2022 (FY 2022/2023)

---

The funding presented on this statement has been authorized by referendum, the annual Capital Improvement Program and additional appropriations from the Capital Reserve Fund balance as noted below. The Capital Program designation includes funding resources of the Capital Reserve Fund, Sewer Assessments Fund, or Sewer Operating Fund and grants. In some cases, funding resources may also be provided from General Fund fund balance.

Current appropriated funding for all Capital projects as indicated on the September 30, 2022 report is **\$105.4m**, \$5.7m of which is through ARPA funding.

Expenditures for current projects since inception through September 30, 2022 total **\$77.5m**. Encumbrances outstanding total **\$2.8m**. The most significant encumbrances are for GHS Fieldhouse (\$.2m), Road Overlay (\$.2m) and Underground Fuel Storage Tank Replacement (\$.3m).

Capital expenditures through the month of September totaled **\$2.9m** and were for the Welles Turner Library Renovation, Road Overlay, Parking/Access Drive Improvement and other capital projects.

Attachment

Cc: Richard J. Johnson, Town Manager  
Narae McManus, Controller  
Karen Bonfiglio, Finance Manager, Board of Education

**TOWN OF GLASTONBURY**  
**CAPITAL PROJECTS FUND**  
**FY 2023 THROUGH SEPTEMBER 30 2022**

Description	REVISED BUDGET	EXPENDITURES INCEPTION TO DATE	FY2023 THRU SEPTEMBER	2023 ENCUMB	AVAILABLE BALANCE
<b>FUND 301 - CAPITAL RESERVE PROJECTS</b>					
<b>GenGovt/Public Safety (31006)</b>					
51827 Town Buildings Security	874,000	574,781	-	69,979	229,241
51828 Facilities Study	90,000	153	153	-	89,847
51829 Williams Memorial	150,000	-	-	-	150,000
51833 Disaster Prep/Recovery Resourc	1,134,000	886,037	2,171	205,932	42,031
51835 Fire Co Renovations/Code Compl	705,960	304,286	229	60,190	341,485
51836 Self Containd Breath Apparatus	520,000	520,788	-	-	(788)
51838 Animal Control Shelter	105,000	3,924	3,924	46,076	55,000
51849 Public Safety Communications	1,650,000	397,516	-	-	1,252,484
51854 Police Building Windows	127,500	88,301	-	-	39,199
51854 Police Building Windows (Pol Bthrm Ren)	110,000	99,249	-	1,065	9,686
51855 Fiber Optic Network-School/Twn	1,192,000	1,128,775	4,356	23,734	39,490
51873 Land Acquisition	1,261,639	1,246,081	35,513	-	15,558
51875 Town Facilities Shop/Storage	1,195,000	1,193,134	5,300	5,417	(3,550)
51888 Property Revaluation	2,111,500	1,793,403	76,179	-	318,097
51892 Document Management System	460,000	390,516	-	53,538	15,946
51912 Tn Hall Improvements	1,718,849	1,716,676	-	-	2,173
51914 Townwide Roof Replacement	855,000	672,858	-	-	182,142
51915 Clean Renewable Energy In	1,562,044	1,420,971	14,651	66,120	74,952
51918 Design Guidelines	125,000	2,002	2,002	97,762	25,236
<b>Total GenGovt/Public Safety</b>	<b>15,947,492</b>	<b>12,439,450</b>	<b>144,479</b>	<b>629,812</b>	<b>2,878,229</b>
<b>PhyServices Sanitation (31007)</b>					
52828 Main Street Reconstruction	2,076,600	-	-	-	2,076,600
52829 Gateway Corp Park Bicyc Pedst	1,013,800	-	-	-	1,013,800
52830 Bridge Replacement/Rehabil	5,150,000	4,669,037	6,517	171,898	309,066
52831 Undergrd Fuel Strg Tank Replac	375,000	-	-	284,623	90,377
52847 Douglas/Sycamore Str Alignment	235,000	28,811	-	1,089	205,100
52848 Main Street Sidewalks Phase 3	1,570,000	654,004	550	10,582	905,414
52871 Parking/Access Drive Improvmnt	1,250,000	1,093,649	268,604	-	156,351
52872 Hebron Avenue Resurfacing	1,276,806	1,134,807	-	-	141,999
52879 Sidewalk Construction Townwide ()	-	-	-	-	-
52879 Sidewalk Construction Townwide ()	494,045	229,162	229,162	152,743	112,140
52882 Sidewalk Repair and Maintenanc	850,000	579,634	(1,100)	250,000	20,366
52883 Townwide Drainage Solutions	400,000	212,164	-	995	186,841
52884 Town Center Streetscape Improv	206,186	-	-	-	206,186
52886 Old Maids Lane-Public Water	175,000	-	-	-	175,000
52939 Bell Street Sidewalks	900,000	-	-	-	900,000
52946 Road Overlay ()	1,261,381	1,261,381	-	-	-
52946 Road Overlay ()	2,148,258	1,668,539	1,668,539	146,393	333,325
52949 Gen Bicycle/pedestrian Imprvmt	164,262	-	-	101,000	63,262

**TOWN OF GLASTONBURY**  
**CAPITAL PROJECTS FUND**  
**FY 2023 THROUGH SEPTEMBER 30 2022**

Description	REVISED BUDGET	EXPENDITURES INCEPTION TO DATE	FY2023 THRU SEPTEMBER	2023 ENCUMB	AVAILABLE BALANCE
52951 Heavy Equipment	804,021	630,678	-	-	173,343
52958 Glastonbury Blvd Paving	2,200,000	1,987,777	-	-	212,223
52959 Traffic Calming	100,000	-	-	-	100,000
52960 Renovation andSite Restoration	1,613,189	1,576,344	-	-	36,845
52960 Renovation andSite Restoration (Slocumb Dam)	275,000	232,901	-	-	42,099
52963 Hebron Ave/House St Improvemen	1,975,000	1,610,474	-	2,843	361,684
52964 Public Water Service - Uranium	50,000	32,805	-	2,195	15,000
52965 Mill St Bridge Replacement	180,000	-	-	-	180,000
<b>Total PhyServices Sanitation</b>	<b>26,743,547</b>	<b>17,602,167</b>	<b>2,172,273</b>	<b>1,124,360</b>	<b>8,017,021</b>
<b>Culture/Parks &amp;Recreation (31008)</b>					
53825 Addison Park Renovations	375,000	54,986	1,912	51,916	268,098
53832 Aquatics Facility	125,000	112,896	-	-	12,104
53837 Minnechaug Golf Improvements	662,500	389,651	-	4,000	268,849
53838 Library Exterior Renovations	94,624	-	-	-	94,624
53839 Multi-Use Trail	1,228,000	1,100,232	-	12,160	115,608
53841 Splash Pad	550,013	529,280	-	20,702	31
53842 PICKLEBALL COURTS	140,000	16,800	6,000	1,200	122,000
53843 Riverfront Park and Boathouse	119,000	111,827	80,158	31,545	(24,372)
53856 Parks Facility Renov/Expansion	1,038,500	1,037,722	-	-	778
53857 Riverfront Park Extension	803,973	777,023	-	-	26,950
53860 Library Upgrade/Redesign	332,000	247,561	-	-	84,439
53873 Grange Pool	389,572	344,572	-	-	45,000
53874 Tree Management	603,205	463,065	34,468	21,332	118,808
53875 Cider Mill	80,000	39,926	-	-	40,074
53876 Center Green Renovations	100,000	-	-	-	100,000
53878 Town Property Conversion	40,000	-	-	-	40,000
53920 Open Space Access	540,000	360,358	6,007	800	178,842
53921 Winter Hill	410,000	154,775	7,400	173,950	81,275
<b>Total Culture/Parks &amp;Recreation</b>	<b>7,631,387</b>	<b>5,740,676</b>	<b>135,945</b>	<b>317,605</b>	<b>1,573,107</b>
<b>Education (31009)</b>					
55836 HVAC/Boilers (CAP RES-GID WEL)	1,414,178	1,400,861	-	13,227	90
55839 Energy Audit--All Schools	260,500	241,491	-	-	19,009
55847 GHS Fieldhouse	2,328,004	2,362,878	-	169,792	(204,666)
55860 GHS Kitchen Upgrades	1,675,000	1,649,688	-	-	25,312
55863 GHS Parking and Access Drives	365,000	365,616	-	-	(616)
55868 Smith Middle School Gym Floor	621,664	621,343	-	-	321
55870 School Roofs	50,000	14,788	-	-	35,212
55871 Multi-School Locker Replacemnt	460,000	213,198	-	18,603	228,200
55872 Gideon Welles Design-Roof Repl	50,000	18,603	-	16,748	14,650
55873 EDU-Feasibility Analysis/Cost	100,000	-	-	-	100,000
55874 Naubuc School Open Space Reno	3,200,000	10,071	9,922	145,998	3,043,931
<b>Total Education</b>	<b>10,524,346</b>	<b>6,898,537</b>	<b>9,922</b>	<b>364,367</b>	<b>3,261,441</b>

**TOWN OF GLASTONBURY  
CAPITAL PROJECTS FUND  
FY 2023 THROUGH SEPTEMBER 30 2022**

Description	REVISED BUDGET	EXPENDITURES INCEPTION TO DATE	FY2023 THRU SEPTEMBER	2023 ENCUMB	AVAILABLE BALANCE
<b>TOTAL 301 - CAPITAL RESERVE PROJECTS</b>	<b>60,846,772</b>	<b>42,680,831</b>	<b>2,462,619</b>	<b>2,436,143</b>	<b>15,729,798</b>
<b>FUND 302 - SEWER SINKING PROJECTS</b>					
<b>PhySer Sewer Sinking (32007)</b>					
52887 Eastbury Pump Statn Generator	75,000	-	-	27,950	47,050
52888 WPC Emergency Power	202,500	154,104	-	-	48,396
52889 WPC Energy Conservation Prog	315,000	92,247	-	12,021	210,731
52893 Cider Mill Pump Station	1,791,000	1,670,692	-	-	120,308
52937 Sewer System Force Main Evalua	150,000	-	-	-	150,000
52938 WPC Roofs	520,000	-	-	-	520,000
52953 Parker Terrace Stn Force Main	75,000	-	-	-	75,000
<b>Total PhySer Sewer Sinking</b>	<b>3,128,500</b>	<b>1,917,043</b>	<b>-</b>	<b>39,971</b>	<b>1,171,485</b>
<b>TOTAL 302 - SEWER SINKING PROJECTS</b>	<b>3,128,500</b>	<b>1,917,043</b>	<b>-</b>	<b>39,971</b>	<b>1,171,485</b>
<b>FUND 303 - LAND ACQUISITION</b>					
<b>Land / Open Space (33157)</b>					
78830 Land 2017	4,000,000	4,000,000	-	-	-
78831 Land 2020	3,000,000	1,753,270	-	-	1,246,730
<b>Total Land / Open Space</b>	<b>7,000,000</b>	<b>5,753,270</b>	<b>-</b>	<b>-</b>	<b>1,246,730</b>
<b>TOTAL 303 - LAND ACQUISITION</b>	<b>7,000,000</b>	<b>5,753,270</b>	<b>-</b>	<b>-</b>	<b>1,246,730</b>
<b>FUND 304 - TOWN AID</b>					
<b>PhySer Conn Grant (33207)</b>					
52942 Town Aid Improved Rds ()	558,773	558,773	-	-	-
52942 Town Aid Improved Rds ()	756,893	174,385	174,385	132,996	449,512
52943 Town Aid Unimproved Rds ()	10,778	10,778	-	-	-
52943 Town Aid Unimproved Rds ()	26,973	-	-	-	26,973
<b>Total PhySer Conn Grant</b>	<b>1,353,417</b>	<b>743,936</b>	<b>174,385</b>	<b>132,996</b>	<b>476,485</b>
<b>TOTAL 304 - TOWN AID</b>	<b>1,353,417</b>	<b>743,936</b>	<b>174,385</b>	<b>132,996</b>	<b>476,485</b>
<b>FUND 314 - RIVERFRONT PARK</b>					
<b>Riverfront Park - Phase I (34560)</b>					
66805 Administrative	147,738	147,737	-	-	1
66810 Engineering	121,418	121,417	-	-	1
66824 Machinery & Equipment	196,373	196,373	-	-	-
66825 Construction	3,784,471	3,784,470	-	-	1
66829 Contingency	-	-	-	-	-
<b>Total Riverfront Park - Phase I</b>	<b>4,250,000</b>	<b>4,249,998</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>RIVERFRONT PARK - PHASE II (34561)</b>					
66805 Administrative	18,000	17,962	-	-	38
66810 Engineering	863,500	844,120	-	-	19,380

**TOWN OF GLASTONBURY**  
**CAPITAL PROJECTS FUND**  
**FY 2023 THROUGH SEPTEMBER 30 2022**

Description	REVISED BUDGET	EXPENDITURES INCEPTION TO DATE	FY2023 THRU SEPTEMBER	2023 ENCUMB	AVAILABLE BALANCE
66825 Construction	14,680,000	14,712,305	-	-	(32,305)
66829 Contingency	48,500	30,833	-	-	17,668
<b>Total RIVERFRONT PARK - PHASE II</b>	<b>15,610,000</b>	<b>15,605,220</b>	-	-	<b>4,780</b>
<b>TOTAL 314 - RIVERFRONT PARK</b>	<b>19,860,000</b>	<b>19,855,218</b>	-	-	<b>4,782</b>
<b>FUND 316 - GATEWAY PROJECT</b>					
<b>Gateway Corporate Park (35357)</b>					
52845 Gateway Corp. Park	888,541	869,410	-	-	19,131
<b>Total Gateway Corporate Park</b>	<b>888,541</b>	<b>869,410</b>	-	-	<b>19,131</b>
<b>TOTAL 316 - GATEWAY PROJECT</b>	<b>888,541</b>	<b>869,410</b>	-	-	<b>19,131</b>
<b>FUND 318 - LIBRARY RENOVATION</b>					
<b>Welles Turner Library Renov (34509)</b>					
66805 Administrative	110,515	141,347	388	2,757	(33,588)
66810 Engineering	500,000	474,872	-	17,754	7,374
66824 Machinery & Equipment	550,000	547,093	119,731	60,242	(57,335)
66825 Construction	5,000,000	4,541,509	104,630	39,090	419,400
66829 Contingency	350,000	-	-	-	350,000
<b>Total Welles Turner Library Renov</b>	<b>6,510,515</b>	<b>5,704,821</b>	<b>224,749</b>	<b>119,844</b>	<b>685,850</b>
<b>TOTAL 318 - LIBRARY RENOVATION</b>	<b>6,510,515</b>	<b>5,704,821</b>	<b>224,749</b>	<b>119,844</b>	<b>685,850</b>
<b>FUND 319 - BULKY WASTE CLOSURE FUND</b>					
<b>BULKY WASTE CLOSURE FUND (34519)</b>					
66829 Contingency	130,000	-	-	-	130,000
<b>Total BULKY WASTE CLOSURE FUND</b>	<b>130,000</b>	-	-	-	<b>130,000</b>
<b>TOTAL 319 - BULKY WASTE CLOSURE FUND</b>	<b>130,000</b>	-	-	-	<b>130,000</b>
<b>FUND 320 - AMERICAN RESCUE PLAN ACT</b>					
<b>AMERICAN RESCUE PLAN ACT FUND (34520)</b>					
42555 Other Expenditures (WTM LIBRARY)	18,444	15,982	-	2,462	-
44730 Machinery & Equipment ()	14,500	-	-	-	14,500
44740 Improvements (Land&Bldg.) ()	34,000	-	-	-	34,000
44740 Improvements (Land&Bldg.) ()	15,000	-	-	11,900	3,100
51829 Williams Memorial	1,250,000	-	-	-	1,250,000
51833 Disaster Prep/Recovery Resourc	200,000	-	-	-	200,000
51835 Fire Co Renovations/Code Compl	475,000	5,287	5,287	664	469,050
51838 Animal Control Shelter	950,000	-	-	71,710	878,290
51839 Fire_ Rescue Pumpers	1,600,000	-	-	-	1,600,000
51915 Clean Renewable Energy In	80,000	-	-	-	80,000
52952 Traffic Signal Upgrades	450,000	-	-	-	450,000
53842 PICKLEBALL COURTS	145,000	443	443	-	144,557



**TOWN OF GLASTONBURY**  
**CAPITAL PROJECTS FUND**  
**FY 2023 THROUGH SEPTEMBER 30 2022**

Description	REVISED BUDGET	EXPENDITURES INCEPTION TO DATE	FY2023 THRU SEPTEMBER	2023 ENCUMB	AVAILABLE BALANCE
53843 Riverfront Park and Boathouse	150,000	-	-	9,600	140,400
53873 Grange Pool	100,000	-	-	-	100,000
53877 Riverfront Comm. Ctr Upgrades	80,000	-	-	-	80,000
53879 AGE FRIENDLY COMMUNITY	150,000	-	-	-	150,000
<b>Total AMERICAN RESCUE PLAN ACT FUND</b>	<b>5,711,944</b>	<b>21,711</b>	<b>5,729</b>	<b>96,336</b>	<b>5,593,897</b>
<b>TOTAL 320 - AMERICAN RESCUE PLAN ACT</b>	<b>5,711,944</b>	<b>21,711</b>	<b>5,729</b>	<b>96,336</b>	<b>5,593,897</b>
<b>GRAND TOTAL</b>	<b>105,429,689</b>	<b>77,546,239</b>	<b>2,867,482</b>	<b>2,825,290</b>	<b>25,058,160</b>

**TOWN OF GLASTONBURY**

**MEMORANDUM**

**DEPARTMENT OF ADMINISTRATIVE SERVICES**

**FINANCIAL ADMINISTRATION**

TO: Board of Finance  
Richard J. Johnson, Town Manager

FROM: MD Melissa Dionne, Finance/Budget Analyst  
DATE: October 4, 2022  
SUBJECT: Self Insurance Reserve Update September 2022

The attached report summarizes the Self Insurance Reserve fund through September 30, 2022. The total reserve is \$14,458,411 allocated \$4,643,397 and \$9,815,014 between Town and Board of Education, respectively. As of September the fund is experiencing a \$1,609,665 loss for the fiscal year. This large loss is related to the Board of Education's significantly lower contribution for July and August than other months of the year due to faculty summer vacation.

As of September 30, we are expecting to receive reimbursement of \$438,096 from CT Prime for FY2022 large loss claims (\$361,888.89 for BOE and \$76,207 for the Town). This balance due is not reflected in the financial summary.

There are currently no large loss claims for FY2022/2023, which are defined as any claims that exceed \$50,000.

Enc.

cc: Dr. Alan Bookman, Superintendent  
Karen Bonfiglio, Business Manager

**SELF INSURANCE RESERVE FUND**

YTD Balances As of: September 30, 2022

	Town	Education	Total
<b>Contributions</b>			
Employer	\$1,554,142	\$1,303,474	\$2,857,616
Employee	342,413	475,986	818,398
Stop Loss Reimbursement	-	4,563	4,563
<b>Total Revenues</b>	<b>\$1,896,555</b>	<b>\$1,784,023</b>	<b>\$3,680,578</b>
<b>Expenditures</b>			
<b>Anthem</b>			
ASO Fees	\$30,716	\$114,831	\$145,547
Claims	899,642	3,200,777	4,100,419
	\$930,358	\$3,315,608	\$4,245,966
<b>Delta Dental</b>			
ASO Fees	\$4,230	-	\$4,230
Claims	45,789	-	45,789
	\$50,019	-	\$50,019
Bank Fees/PCORI Fee	\$1,146	\$4,014	\$5,160
CT Prime	256,637	709,960	\$966,597
OneDigital Consultant Fees	4,500	18,000	22,500
	\$262,284	\$731,974	\$994,258
<b>Total Expenditures</b>	<b>\$1,242,661</b>	<b>\$4,047,583</b>	<b>\$5,290,243</b>
Current Year Revenues Less Expenses	\$653,894	(\$2,263,559)	(\$1,609,665)
Reserve July 1, 2022	\$3,989,503	\$12,078,573	\$16,068,076
Reserve at end of month	\$4,643,397	\$9,815,014	\$14,458,411

	Town	BOE	Total
Reserve at end of month	\$ 4,643,397	\$ 9,815,014	\$ 14,458,411
Recommended Minimum Reserve <sup>A</sup>	\$ 1,212,871	\$ 4,095,088	\$ 5,307,959
Variance Over/(Under) Reserved	\$ 3,430,526	\$ 5,719,926	\$ 9,150,452

A. As of August 2022. The next update will be provided in November 2022.

**TOWN OF GLASTONBURY  
BUDGET TRANSFERS AND AMENDMENTS**

FUND	CAPITAL RESERVE PROJECTS
SOURCE OF FUNDS	CAPITAL RESERVE PROJECTS
ACTION REQUIRED	TOWN MANAGER, BOARD OF FINANCE

**REASON FOR TRANSFER**

Transfer funds from the contingency account to both Administration and FF&E accounts for the Renovations and Additions at Welles Turner Library.

- Administration increase due to moving, storage and insurance cost
- FF&E increase due to bid results for furniture package

TRANSFER FROM	ACCOUNT CODE	AMOUNT
CAPITAL RESERVE PROJECTS		
Welles Turner Library - Contingency	34509-66829	\$100,000

TRANSFER TO	ACCOUNT CODE	AMOUNT
CAPITAL RESERVE PROJECTS		
Welles Turner Library - Administrative	34509-66805	\$40,000
Welles Turner Library – Machinery/Equipment	34509-66824	\$60,000

Date <u>10-7-2022</u>	Town Manager
Date	Board of Finance

**MEMORANDUM**

To: Board of Finance  
From: Richard J. Johnson, Town Manager  
Date: October 12, 2022  
Re: **Town Council Action – General Fund Appropriation and Transfer**

At its meeting of Tuesday, October 11, 2022, the Council referred to the Board of Finance, a \$95,000 appropriation and transfer from the General Fund-Unassigned Fund Balance to Police (\$60,000) and Fire (\$30,000). Background as follows:

Police

- The state has allocated \$5.2M in ARPA funds over two years to 57 eligible local police departments to reduce auto theft and other crimes. Generally, this will involve increased police patrols. For Glastonbury, \$35,000 in the current year.
- Second, Glastonbury received a \$25,000 grant through the Judge Advocate General (JAG) Program. These funds are allocated to the Emergency Services Team and event management equipment.

Since the \$60,000 was not anticipated when the budget was enacted for this year, the proposal is to supplement the Police Operating Budget by this amount to be fully reimbursed by grant monies.

Fire Apparatus – PFAS

- Per the attached memo by Chief Thurz, this is a proposal to remove PFAS from Town fire apparatus.

This topic is scheduled for Board action at the Wednesday, October 19, 2022 meeting.

RJJ/sal  
Attachment

cc: Melissa Dionne, Budget/Finance Analyst



**GLASTONBURY FIRE DEPARTMENT**  
2155 Main Street  
Glastonbury, CT 06033  
(860) 652-7555



To: Richard J. Johnson – Town Manager

From: Michael P. Thurz – Fire Chief

Date: October 4, 2022

Re: Disposal of Per and Poly-Fluoroalkyl Substances (PFAS) with Fire Apparatus

In an effort to reduce the environmental risk associated with the release of Per and Ploy-fluoroalkyl Substances (PFAS), the State Bond Commission authorized funding in 2021 to create a Take Back Program for the disposal of Aqueous Film-Forming Foam (AFFF) used by the fire services. The Take Back Program consisted of a two-step process: collection of containerized foam and removal of foam from a fire apparatus' on-board system.

While Glastonbury's inventory of containerized foam has been removed and disposed of, the State of Connecticut no longer has sufficient funds for the removal of foam from an apparatus' on-board system. The Department of Energy and Environmental Protection (DEEP) has petition the State Bond Commission for additional funding, but it is unknown if, or when any appropriation will be made to complete this state mandated initiative.

Glastonbury has eight fire apparatus, each with a 30-gallon foam tank as part of its on-board system. The Department still needs to remove the foam from the apparatus' tank, then rinse each tank, and dispose of both the product and rinse by a licensed hazardous material contractor. I have begun soliciting quotes from licensed and experienced vendors to remove the foam from the apparatus. Initial cost to complete the removal and disposal is estimated to be \$35,000.

While DEEP is petitioning for additional funding to complete the Take Back Program, it is unclear if a municipality will be able to seek reimbursement if completed internally. I have raised this concern with Jeffrey Morrissette, State Fire Administrator, who serves as the point of contact with DEEP for the fire service.

Please advise if you have any further questions.

RECEIVED  
2022 OCT -5 AM 10:25  
TOWN MANAGER

**TOWN OF GLASTONBURY  
BUDGET TRANSFERS AND AMENDMENTS**

FUND	GENERAL FUND
SOURCE OF FUNDS	GENERAL FUND – INTRA DEPARTMENT
ACTION REQUIRED	TOWN MANAGER & BOARD OF FINANCE

**REASON FOR TRANSFER**

At its meeting of Tuesday, October 11, 2022, the Council referred to the Board of Finance, a \$95,000 appropriation and transfer from the General Fund-Unassigned Fund Balance to Police (\$60,000) and Fire (\$30,000). Background as follows:

Police

- The state has allocated \$5.2M in ARPA funds over two years to 57 eligible local police departments to reduce auto theft and other crimes. Generally, this will involve increased police patrols. For Glastonbury, \$35,000 in the current year.
- Second, Glastonbury received a \$25,000 grant through the Judge Advocate General (JAG) Program. These funds are allocated to the Emergency Services Team and event management equipment.


Since the \$60,000 was not anticipated when the budget was enacted for this year, the proposal is to supplement the Police Operating Budget by this amount to be fully reimbursed by grant monies.

Fire Apparatus – PFAS

- Per the attached memo by Chief Thurz, this is a proposal to remove PFAS from Town fire apparatus.

TRANSFER FROM	ACCOUNT CODE	AMOUNT
GENERAL FUND		
Unassigned Fund Balance	00100-09241	\$95,000

TRANSFER TO	ACCOUNT CODE	AMOUNT
GENERAL FUND		
Police – Wages Other	02037-40440	\$35,000
Police – Training & Dues	02037-42580	\$25,000
Fire – Vehicle Maintenance	02039-43642	\$35,000

Date	<u>10-14-2022</u>	Town Manager	
Date	_____	Board of Finance	_____

**MEMORANDUM**

To: Board of Finance  
From: Richard J. Johnson, Town Manager  
Date: October 13, 2022  
Re: **Several Items**

**Special Meeting** – Per discussion at the September 21, 2022 meeting, a special meeting is scheduled for 4:00 p.m. on Wednesday, November 9<sup>th</sup> to focus on the pension investment strategy. A question is asked on potential for an earlier start time, possibly 2:00 or 3:00 p.m.

**School HVAC** – At the September 21, 2022 meeting, the Board approved a \$1.2M appropriation and transfer from the General Fund-Unassigned Fund Balance in anticipation of a State grant program for school HVAC projects. At the time, information was preliminary and it was noted the \$1.2M could be decreased when grant criteria was available. Grant specifics are now issued and the eligible project for Glastonbury involves replacement of exhaust fans and air handling units at Gideon Welles School. A budget of \$500,000 is forecast. When considering this matter at its meeting of Tuesday, October 11, 2022, the Council reduced the \$1.2M to \$500,000.

**Transfer – Sewer Sinking Fund** – At the May 18, 2022 meeting, the Board approved the attached transfer of \$290,000 for re-roofing at the Wastewater Treatment Plant. At its meeting of June 8<sup>th</sup>, the WPCA similarly approved this transfer. A review of the file indicates an error. The transfer should have been \$60,000 to supplement the \$230,000 previously appropriated for a total of \$290,000.

Bids for the re-roofing project are received with four bids totaling \$369,200 – \$558,000. The project budget with the \$290,000 transfer totals \$520,000. The proposal is to review the bid results, award the contract and proceed with the project. However, before doing so I wanted to advise the Board of the previously approved, overstated transfer. The WPCA is also so advised.

**ARPA** – The attached excerpt from the 2022-2023 Final Budget document shows the \$5.63M in ARPA monies allocated to the Capital Program. An additional \$63,500 is appropriated for Operating Budget Capital Outlay for park maintenance, energy efficiency and accessibility. Lastly, the Council will make \$150,000 available for a Small Business Assistance Program. A question was asked in this regard at the September 21<sup>st</sup> Board meeting.

RJJ/sal  
Attachment

cc: Melissa Dionne, Budget/Finance Analyst



TOWN OF GLASTONBURY  
TRANSFER OF FUNDS

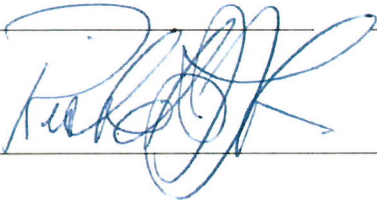
FUND	Sewer Sinking Fund
SOURCE OF FUNDS	Sewer Sinking Fund – Undesignated Fund Balance
ACTION REQUIRED	Town Manager / Board of Finance

REASON FOR TRANSFER

Funding required for replacement of sludge processing and garage building roofs at the Water Pollution Control Facility as outlined in Capital Improvement Budget request.

TRANSFER FROM	ACCOUNT CODE	AMOUNT
Sewer Sinking Fund Undesignated Fund Balance	60100-09241	\$290,000.00

TRANSFER TO	ACCOUNT CODE	AMOUNT
Sewer Sinking Projects Fund – WPC Roofs	32007-52938	\$290,000.00

Date 5-11-2022 Town Manager 

Date \_\_\_\_\_ Board of Finance \_\_\_\_\_

## CIP Improvement Program | Town Council Adopted Projects (page 1 of 2)

Projects that directly support the Town's ongoing initiatives and objectives related to Sustainability, Economic Development, and a Livable Community are noted as applicable.

	Capital Reserve	ARPA	Aligns with objectives for...		
			Sustainability	Economic Development	Livable Communities
<b>Infrastructure &amp; Major Equip. Care &amp; Maintenance</b>	<b>\$5,241,000</b>	<b>\$3,875,000</b>			
Town Hall / Academy – Renovations & Security Improvements	\$100,000				
System-wide municipal roof replacement	\$25,000				
Public Safety Communications	\$380,000				X
Police Site Renovations	\$40,000				
Animal Control Shelter	\$50,000	\$950,000			
Fire Station Renovations		\$475,000			
Fire Station Diesel Exhaust Mitigation System*	\$195,000				
Road Overlay	\$1,800,000			X	
Main Street Reconstruction*	\$216,000		X	X	X
Renovation & Site Restoration - Slocomb	\$40,000				
Traffic Signal Upgrades		\$450,000			
Heavy Equipment (Highway)	\$155,000				
Sidewalk Repair & Maintenance	\$250,000		X		X
Pavement Restoration and Overlay – Town & EDU	\$250,000				X
Storm Drainage Improvements	\$100,000		X		
Tree Management	\$100,000		X		X
Public Parks/Age Friendly	\$80,000	\$150,000	X		X
Minnechaug Golf Course Improvements	\$150,000				X
Winter Hill Farm	\$175,000		X	X	X
Grange Pool - ADA Building & Accessibility Upgrades	\$45,000	\$100,000	X		X
Center Green Renovations	\$100,000		X	X	X
Town Property Conversion: Recreational Purposes (1361 Main)	\$40,000		X		X
Riverfront Park and Boathouse		\$150,000		X	X
Bulky Waste Closure Fund	\$50,000		X		
Fire Dept. Apparatus Replacement (2 Rescue Pumpers)		\$1,600,000			
Bell Street Sidewalks	\$900,000		X		X

Continued on next page...

## CIP Improvement Program | Town Council Adopted Projects Continued (page 2 of 2)

	Capital Reserve	ARPA	Aligns with objectives for...		
			Sustainability	Economic Development	Livable Communities
<b>Ongoing Projects</b>	<b>\$428,100</b>	<b>\$425,000</b>			
Property Revaluation	\$130,000				
Energy Efficiency & Sustainability	\$75,000	\$80,000	X		
Disaster & Emergency Preparedness/Readiness		\$200,000			X
Main Street Sidewalks – Phase 3	\$150,000		X	X	X
Gateway Corporate Park: Bike/Ped Improvements*	\$73,100		X	X	X
Pickleball courts		\$145,000			X
<b>NEW Projects</b>	<b>\$3,350,000</b>	<b>\$1,330,000</b>			
Williams Memorial	\$150,000	\$1,250,000			X
Naubuc School Open Space Classrooms*	\$3,200,000				
Riverfront Community Center (RCC) Upgrades - outdoor programming		\$80,000	X	X	X
<b>Total</b>	<b>\$9,019,000</b>	<b>\$5,630,000</b>			
Less pending/approved grants	\$2,114,100				
<b>Total after grants</b>	<b>\$6,905,000</b>	<b>\$5,630,000</b>			
<b>Total Combined Projects</b>	<b>\$10,785,000</b>				

\*Pending/approved grants.

### Other Projects – Sewer Sinking Fund and Town Aid

- Sewer Sinking Fund:
  - Water Pollution Control Roofs: \$230,000
  - Parker Terrace Station & Force Main Replacements: \$75,000
- Town Aid Road: \$461,217