

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, OCTOBER 19, 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 was Narae McManus, Controller {via Zoom}.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman
Mr. James McIntosh
Ms. Susan Karp {excused}
Mr. Robert Lynn
Mr. James Zeller

1. Public Comment Session: Comments pertaining to the call. ***None***
2. Communication: Minutes of September 21, 2022 Regular Meeting

On page 2, Mr. McIntosh noted that the word “observations” should read “obligations.” The error is listed again in the following line.

Mr. Soper asked to correct the first line on page 2 to instead read “starting this year, there will be a net outflow of over \$10 million from the pension **over the next three years.**”

Minutes were accepted as amended.

3. Communication: Pension Report – August 2022

Mr. Johnson presented the report dated September 30, 2022. Mr. Soper expressed frustration at how the Town’s pension is structured. He asked if the Board seeks to perform better than the average or to maintain the way the system currently is. While he understands Mr. Kachmar’s perspective, consultants in the past should have been more proactive. He questioned whether the Town’s asset allocation is the correct one. Their original objective of 7.75% was not met, so it was lowered to 6.25%. The account must be structured so that the Board is aware of updates, which will enable them to feel comfortable with the consultant. Currently, the Town Manager has been the method of communicating between the two entities. In the future, he suggested that it be the Finance Director or a BOF member who leads a monthly discussion. He asked if the Board would like to use an active manager to outperform the market or simply move back to indexes for lower costs.

Mr. Johnson agreed that the Board should look at this as fiduciaries. He noted that this topic will be discussed at the November 9 meeting with Mr. Kachmar. Mr. Zeller cannot attend that

meeting. It seems to him that requested information takes a long time to arrive from Mr. Kachmar. He is concerned that some of the strategic moves on the asset allocation came from the Board, not the consultant. Mr. Kachmar's firm is good at executing what the Board asks of him, but they do not offer much by way of strategy. Mr. Lynn would like to ensure that the Town's portfolio is of equal risk to the benchmark. If they assume more risk, then they must receive returns greater than the benchmark.

Mr. Johnson observed that the BOF seems unhappy with the investment advice they are receiving for the pension fund. If that is the case, he suggested going to the market. He clarified that Town Staff (i.e., the Town Manager and/or Finance Director) do not give direction to Mr. Kachmar. The BOF does that. Mr. Lynn would like to see what other towns are doing because this is part of the Board's fiduciary responsibility. Mr. Johnson passed out a packet showing the historical results and portfolios of various communities that work with Fiducient Advisors. Mr. Zeller asked how many firms are providing advice to comparable municipalities. Mr. Johnson hopes to provide that answer at the Board's next meeting.

Mr. McIntosh stated that Mr. Kachmar does not seem to feel that it is his job to tell the Board what they should be doing. Rather, he expects the Board to tell him what they would like. His advice has been consistent with achieving the 6.25% return objective that the Board requested. Mr. Lynn is more concerned about picking funds that serve the Town's portfolio. It is the consultant's job to pick the best managers, not the BOF's. On balance, if the Town is receiving benchmark returns while taking on more risk, then there is a problem with the managers they have selected. Mr. McIntosh pointed out that if the Town has an infinite horizon, then they need not care about individual performance. Mr. Soper explained that the Board needs to define what their job is and clarify what they want. Regarding Mr. Lynn's point about the benchmark, asset allocation becomes very important.

Mr. Soper expressed three primary frustrations that he has had with the consultant:

1. Their international allocation has been wrong for the last 11 years. It was originally 24%, which the Board reduced to 16%.
2. They are slow to admit when their mutual fund selections are wrong.
3. Relative to the asset allocation, the Town went into an environment with very low interest rates. He would like to discuss whether the Board is still comfortable with putting 30% of their money into an investment that will only earn 1-2%. While this is not Mr. Kachmar's decision, he should have raised the matter to the Board.

Mr. Johnson stated that when the market was suffering in March 2020, most investors he knew were looking to take advantage of those low rates. It is the difference between a consultant being reactionary versus proactive, which is a fair consideration for the Board to make. Mr. Soper agreed, stating that it could just be that they have not yet properly identified Mr. Kachmar's role.

The Board agreed to continue the conversation on November 9. Mr. Johnson will speak with Mr. Kachmar beforehand.

4. Communication: Fiducient Advisors Report

The Board reviewed the report.

5. Communication: Month End Investments – August 2022

Ms. McManus presented the report dated September 15, 2022. She provided an update on STIF and noted that the Town purchased another \$5 million in treasury bills, which earned 3.25% in September.

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

Mr. Johnson presented the report dated October 12, 2022. Mr. McIntosh noted that licenses and permits are down markedly. He asked if that is a sign that the economy is slowing down. Ms. McManus explained that, early last year, the Town received over \$100,000 from one building permit, so that is driving the large difference between this year and last year.

7. Communication: Capital Projects – September 2022

Mr. Johnson presented the report dated October 12, 2022. All the projects are going forward in various stages. He noted that the library received a separate ARPA grant which is not part of the \$10.2 million. Mr. Zeller asked if anything has gone out to bid for the Naubuc Project. Mr. Johnson will check and report back. Mr. Soper asked if the Town is seeing any inflationary pressures with some of the capital projects. Mr. Johnson replied, a little. There is uncertainty and some volatility, but the big issue has been a marked delay in delivery times. Mr. Soper noted that if inflationary pressures have exacerbated the cost of paving, then the Town could consider using ARPA monies to relieve that pressure.

8. Communication: Self Insurance Reserve Fund – September 2022

Ms. McManus presented the report dated October 4, 2022. The fund is experiencing a \$1.6 million loss, which is related to timing on the BOE side. There have been no large loss claims this year. Mr. McIntosh asked if there will be a discussion on the balances because the size of these reserves seems inappropriate. Mr. Johnson stated yes, there will be a discussion during the budget process.

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

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

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

Mr. Johnson explained that the project is currently about \$685,000 below budget. This will shuffle money to wrap up the project.

Motion by: Mr. McIntosh

Seconded by: Mr. Soper

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of \$100,000 from Capital Reserve Projects - Welles Turner Library - Contingency account to the Capital Reserve Projects - Welles Turner Library - Administration and FF&E accounts, as presented without changes.

Result: Motion passed unanimously {5-0-0}.

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

Mr. Johnson explained that there is a \$25,000 federal grant to fund costs for the emergency

services team and other improvements to the police department. All funds are fully offset by grant revenues. However, there is no appropriation in the police department, so this appropriates \$25,000 for the grant funded items to avoid operating in the red. Police overtime for safe street patrol is also not budgeted, so they have added \$35,000 to the overtime account, which will also be fully offset by grant revenue. Mr. McIntosh asked what event management equipment is and how that relates to JAG. Mr. Johnson explained that those are items used for crowd control and equipment to effectively manage a large rally. Mr. McIntosh finds it a stretch for JAG to be concerned about that.

Mr. Zeller clarified that no money would come out of the Unassigned Fund Balance. Mr. Johnson stated that is correct. Mr. Zeller asked if the PFAS will be removed. Mr. Johnson explained that there are small supplies which they intend to remove. The cost is \$35,000 and there is a potential for a grant. If the grant is near term, they will hold off to ensure that the Town is not disqualified. Mr. Zeller asked if the removal is mandated. Mr. Johnson is not sure, but it certainly falls under best practices. Mr. McIntosh remarked that the Fire Department at Martha's Vineyard utilized this material in the past, and it polluted the groundwater to such an extent that they believe it has caused a cancer problem.

Motion by: Mr. McIntosh

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves a \$95,000 reappropriation and transfer from the General Fund - Unassigned Fund Balance to Police - Wages (\$35,000), Police - Training & Dues (\$25,000), and Fire - Vehicle Maintenance (\$35,000), as presented without changes.

Result: Motion passed unanimously {5-0-0}.

11. Communication: Several Items

Mr. Johnson noted that there will be a special meeting on November 9. The Board agreed to meet at 2:00 p.m. Mr. Johnson stated that the Gideon Welles School Boiler/HVAC project was initially projected to be eligible for a \$1.2 million grant. However, that projection was based on very little information. More details have emerged, showing a budgeted forecast of \$500,000. Thus, the Council reduced the \$1.2 million to \$500,000. If the grant is successfully awarded, it would cover 33.57% of the cost. He also reviewed the ARPA excerpt from the Final Budget.

The Board moved to add Item 11A: Sewer Sinking Fund Transfer Correct (\$290,000) to the agenda.

Motion by: Mr. Lynn

Seconded by: Mr. McIntosh

Result: Motion to add Item 11A to the agenda passed unanimously {5-0-0}.

a. Action: Sewer Sinking Fund Transfer Correction (\$290,000).

Mr. Johnson explained that the transfer made by the WPCA for re-roofing at the Wastewater Treatment Plant was listed incorrectly. It should have been \$60,000 to supplement the \$230,000 previously appropriated. The bids are in and the WPCA has been advised. This action will correct that error.

Motion by: Mr. McIntosh

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the transfer of \$290,000 from the Sewer Sinking Fund - Undesignated Fund Balance to the Sewer Sinking Projects Fund - WPC Roofs, as presented without changes.

Result: Motion passed unanimously {5-0-0}.

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

Mr. Constantine stated that PBC has not yet met. Mr. Zeller asked if Mr. Johnson will discuss possible uses of the Unassigned Fund Balance as part of the budget process. Mr. Johnson stated that he plans on speaking about it at the Board's November 16 meeting. He will also make a presentation for the Council to get everyone on the same page. Mr. Johnson noted that Keri Rowley has been appointed the town's new Finance Director, effective November 14. She is the current Director of Finance in Bloomfield. She will attend the Board's next meeting.

13. Adjournment

Motion by: Mr. McIntosh

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of October 19, 2022, at 5:15 p.m.

Result: Motion passed unanimously {5-0-0}.

Respectfully submitted,

Lilly Torosyan

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Recording Clerk

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