

**GLASTONBURY BOARD OF FINANCE**  
**Amended REGULAR MEETING MINUTES (see page 2)**  
**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 **over the next three years**. 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 **obligation** of the town which is infinite in time. Because the **obligation** 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 Kongsicut 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 Kongsicut 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.*