

**GLASTONBURY BOARD OF FINANCE
SPECIAL & REGULAR MEETING MINUTES
WEDNESDAY, NOVEMBER 16, 2022**

The Glastonbury Board of Finance, along with Town Manager, Richard J. Johnson, and Keri Rowley, Finance Director, held a special meeting at 3:00 p.m. and 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
Ms. Susan Karp
Mr. Robert Lynn
Mr. James Zeller

Mr. Johnson welcomed Keri Rowley as the new Finance Director.

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

2. Communication: Minutes of October 19, 2022 Regular Meeting

Mr. McIntosh pointed out that “Martha’s Vineyard” should read “Nantucket.”

Minutes accepted as amended.

The Board then moved to Item 11 before returning to Item 4.

3. Communication: Pension Report – September 2022

Mr. Johnson reviewed the report dated November 2, 2022.

4. Communication: Month End Investments – September 2022

Ms. McManus reviewed the report dated October 14, 2022.

5. Communication: Financial Summary (Revenues & Expenditures) for 4 months - October 2022

Mr. Johnson reviewed the report dated November 10, 2022.

6. Communication: Capital Projects – October 2022

Mr. Johnson reviewed the report dated November 8, 2022. Mr. Zeller asked about the final numbers for the field house. Mr. Johnson stated that there is one outstanding item remaining.

7. Communication: Self Insurance Reserve Fund – October 2022

Ms. McManus reviewed the report dated November 8, 2022. The fund is experiencing a \$1.2 million loss and there have been no large loss claims this fiscal year.

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

- a. Finance Director Laptop (\$2,000)
- b. Pre-Referendum Printing Costs (\$3,300)

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

10. **Action:** Allocation of \$3.4m in ARPA Funds for Land Acquisition

Mr. Johnson reviewed the report dated November 10, 2022. The Council is considering the purchase of a ±10.86-acre parcel, which includes two commercial office buildings, located at 50 and 55 Nye Road, for development of a mixed income affordable housing project. There is a utility easement and four acres of town-owned land, which can only be accessed from Nye Road. This site purchase will open that access. While nine acres are landlocked, they initially looked at just the four acres west of the powerline.

The northerly building at 55 Nye Road will be taken down to construct the affordable housing development. Preliminary evaluation estimates about 70-80 units to be constructed. He explained that the perfect number of units to qualify for financing and tax credits falls within this range. The southerly building at 50 Nye Road could serve as an administrative office for the BOE or a combination of municipal spaces for the BOE and lease space which could generate revenue. The Council asked the Town Manager to prepare an RFQ to look for potential development partners. This could be either the GHA, a private partner, or both. After which, they will then seek out specific proposals from developers.

Mr. Constantine asked if this would help the Town qualify for a moratorium from CGS 8-30g applications. Mr. Johnson explained the formula for acquiring a moratorium, which is based on census data. The 2020 census showed that Glastonbury needs about 160 points to qualify for a moratorium. Experts state that a mixed income development is the best way to acquire points. This proposal would not get the Town to a moratorium, but it would largely get them there.

Mr. Lynn does not understand the sense of urgency here. CGS 8-30g has been around since 1989. Mr. Johnson explained that the statute largely negates local zoning regulations, so it can bring in inappropriate projects. Mr. Zeller stated that this project will take several years to accomplish. In the meantime, they will not qualify for a moratorium. Ms. Karp finds it important to recognize the charge of the BOF. They are being asked to consider two issues: whether ARPA funding is available, and if this is a project that qualifies under ARPA. The answer to both is yes. She noted that, last night, the TPZ stuck to their strict criteria as well, which was to consider whether the proposal conforms to the Town's POCD, which it does. Mr. McIntosh agreed.

Mr. Zeller has three concerns that he has had to put aside: the first is whether there is an issue of affordable housing in town or in the region. That has not been made clear to him. The second is that he has a strong concern about any government subsidized project that warehouses people of lesser means into one area. He has received mixed messages from the Council. They have stated that they would like affordable housing in town, yet the primary motivation for this proposal is to thwart private developers doing exactly that.

Mr. Zeller also disagrees with the Town Attorney's opinion regarding the BOF's role. The Town Charter states that the BOF is the final authority on budgeted items, not the Council. He is worried that once the \$3.4 million of local taxpayer money is spent, then more expenses will crop up that must be paid for because the project cannot be left half-finished. The field house is one such case of a project where this happened. The BOF does not have to abide by the Town Attorney's opinion. He is not going to support \$3.4 million for a less than clear plan.

Ms. Karp gives deference to the Town Attorney. She also knows that the Council likely knows information that the BOF is not privy to, such as timing. The BOF's role is to make sure that they meet their obligations as a community with the money that they are managing. Spending ARPA funds in this manner does not jeopardize their financial position going forward. Mr. Soper does not know how much this project will cost. For most of the projects that come before the Board, there is confidence in how much money taxpayers will spend. They are purchasing this land with a specific project in mind, and he does not know how much additional financial responsibility the Town would have, moving forward. The Town Charter does deem the BOF the final authority on non-budgeted items, and he cannot say whether they can or cannot afford it.

Mr. Johnson clarified that there is not going to be a town budget to build these units. They will be funded through federal grants and financing credits, like how the GHA does their business. The concept here is that either the GHA or a private developer will take over and manage the project on an ongoing basis. It is not anticipated to be a town budget item. Mr. McIntosh added that it is not the Town's money. It was given by the federal government, raised by federal taxpayers, making it more similar to a grant. He agrees with Mr. Karp that the BOF's job is to decide whether the money is there and to determine whether spending it in this way is an approved expenditure, and the answer to both is yes. Mr. Soper's concerns are valid, but each of those possible expenditures will be reviewed by the Board. Their decision today is very limited.

Mr. Zeller does think of this money as being local taxpayer dollars. He asked if any entity has committed to see through this project. Mr. Johnson explained that the GHA is prepared to move forward with a project. As an option, they are looking to see if there might be private sector developers to partner with the town. Mr. Zeller feels like this is not the way that they normally receive things from Mr. Johnson and the Council. They are buying into something that they do not know, and he worries that no one can guarantee that this project will not land in the Town's lap. Mr. Lynn also struggles with this proposal. Only six towns in Connecticut have received a moratorium, which lasts only four years. He worries about the lack of leadership and the false sense of urgency in rushing this through after 33 years of non-action. He would like a thoughtful plan.

Ms. Karp reiterated that none of those concerns are within the Board's purview. The Town Charter's intent was never to give the BOF the ability to make policy making decisions. She asked to not set a dangerous precedent by making policy decisions, which is the Council's charge. Mr. McIntosh agreed. Mr. Soper countered that the Board is looking at the finances, which is their role. He asked how much tax revenue the Town would lose by tearing down 55 Nye Road. Mr. Lynn believes the Town Attorney's opinion to be a guideline. He asked how long the Town has known about this property for its potential use as affordable housing. Mr. Johnson replied, the matter has been discussed for about five to six months now.

Mr. Constantine asked if the Council would prefer to postpone tonight's action. Mr. Johnson pointed out that doing so would mean that the deal goes away.

Motion by: Ms. Karp

Seconded by: Mr. Soper

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves an allocation of \$3.4 million in ARPA funding for the purchase of a ±10.86-acre site, located at the terminus of Nye Road.

Disc: Mr. Soper knows Michele Parratta who is a real estate lawyer with relatives on Nye Road. He is unsure whether to recuse himself from the vote. Ms. Karp stated that the Ethics Code pertains to family members. It does not extend to friends. Therefore, there is no issue. Mr. Johnson pointed out that the purchase and sale agreement calls for Council action by December 9. An extension was requested, but the seller refused to grant it.

Mr. McIntosh feels very strongly that the Board should focus on the issue before them, not the issues that may come before them at some later time. He is afraid that the vote might break between three former council members versus three people who never served on the council. He does not think that the Town Charter intended for the BOF to become involved in decisions such as the discussion heard tonight. Ms. Karp agreed.

Mr. Zeller is not trying to thwart the policy by objecting to this proposal. As a practical matter, the Town never turns down projects later on because they are on a roll. He worries that no one can guarantee that the Town will not be held to this. The Charter drafters anticipated checks and balances, and this Board is looking longer term. Ms. Karp remarked that the Town Council has already allocated over \$5 million of ARPA funds to a variety of items. The Council answers to the public. If they make a policy decision that the public does not like, then they will be voted out. The BOF has the privilege of running for office virtually uncontested. Therefore, the Council is not accountable to the BOF; they are accountable to the public. She asked to vote based on the Town Attorney's narrowly defined role for the BOF.

Result: Motion failed {3-3-0}, with Mr. Soper, Mr. Lynn, and Mr. Zeller voting against.

11. Discussion and Possible Action concerning Pension Related Matters

Mr. Kachmar reviewed the four changes that were proposed at the last meeting:

1. Fixed Income:
 - a. Eliminate allocation to global bonds by terminating PGIM Global Total Return
 - b. To respond more dynamically to interest rate volatility, establish an 8% allocation to dynamic bonds via the BlackRock Strategic Income Fund, and resize the two Core Plus strategies (MetWest Total Return and BlackRock) from 13.75% each to 12.75% each.
2. Domestic Equity:
 - a. Terminate Jackson Square SMID Growth, and replace it with a less volatile alternative, William Blair SMID Growth (maintain 6% target).
3. International equity:
 - a. Eliminate allocation to international small-cap by terminating Templeton Institutional Foreign Smaller Companies Fund
 - b. Add a complimentary emerging markets growth strategy alongside Cape Ann Global Developing Markets, resizing both to 2.5% each.

4. Real Assets:

- a. Terminate existing roster of real asset mandates
- b. Replace with a single diversified real asset mandate, via DWS RREEF Real Assets Strategy.

Mr. Kachmar noted that some of Glastonbury's peer communities like to see second and third options in those spaces, which they can provide. Mr. Lynn questions why William Blair is recommended since their recent track record is not good. While their risk is low, so are their returns. He asked what conviction there is to move forward with this fund. Mr. Kachmar clarified that the fund's 3-year number is a little below benchmark but the 5, 7, and 10-year numbers are above benchmark, and returns were generated with less risk. Based on the feedback that Fiducient has heard from the BOF regarding sensitivity to volatility, they recommend a more conservative fund like William Blair. He also noted that even the most capable managers will have points throughout a 10-year timeframe where they do not yield great results. Mr. Lynn is not risk averse, but if Fiducient believes that William Blair is the way to achieve benchmark risk with better risks, then he will support it.

Mr. Soper stated that the 2021 Milliman report predicted that the Town would start to have net outflows from the pension. He asked if that has been the case and will continue to be do. Mr. Johnson noted that the Town still has another 12 years to be fully amortized. He will ask the actuary to take a look as to whether the ADC needs to be leveled off to positively influence net cash outflows. Mr. Soper asked if it makes sense to have some short-term treasuries to cover net cash outflows. That way, they will not sell bonds or equities into an unfavorable market. Mr. Kachmar explained that they typically try to include in the program a couple months of liquidity.

Mr. Soper is fine with the suggestion to change from PGIM to Blackrock strategic fund, but he would like to reduce the overall amount in the fixed income, with a focus of getting the equity portion to the 60% target listed in the Board's investment policy guidelines. He also wonders whether it would be worthwhile to have an index that is equal-weighted, in addition to a smaller percentage that is equal-weighted, so that the four or five largest stocks do not dominate so heavily. He also shares Mr. Lynn's concerns about the William Blair fund. His personal default is to use the S&P MidCap 400 Index, as it outperforms somewhere around 90% of the managers. Instead of putting 6% into William Blair, he suggests 4% in the S&P MidCap Index and 2% in the S&P SmallCap Index.

Mr. Kachmar cautioned against comparisons, as William Blair does not engage in the same marketplace as the S&P small or mid cap index. On a 5, 7, and 10-year basis, William Blair has consistently outperformed the Russell 2500 growth index. He also noted that the index is overweight in value. Mr. Soper agreed but pointed out that Mr. Kachmar has stated in the past that Fiducient favors that. Mr. Soper does not feel the need to marry the Earnest with a perfect growth fund if the index is doing better. He also noted that the index could be a holding place, to be revisited at a later date. He supports increasing the equity space. In the international space, he agrees with Mr. Kachmar's suggestions, and supports adding the DWS fund, but at a lower amount. Instead of 5%, he prefers 3%. Mr. Kachmar stated that if there is consensus that an index for domestic equities suits the Board better, then that is an easy implementation. He agreed to capture the exposure with an index for the time being, instead of William Blair, which will be monitored over time.

Ms. Karp is not comfortable making a decision today. She finds it a difficult position to be between the recommendation of a consultant and the recommendation of a board member. Mr. Soper pointed out that the investment world and the government world do not work well together as the timeframes are different. While the Board does not have to make all the changes tonight, there is enough agreement to make as many changes as they can. The Board agreed to move forward with a motion.

Motion by: Ms. Karp

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby accepts the recommendations that have been made, with the knowledge that they will look for additional information for the Domestic Equity portion of the allocation.

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

Mr. Kachmar will work with Ms. Rowley and Mr. Johnson on its immediate implementation.

12. Presentation and Discussion Concerning General Fund – Unassigned Fund Balance (to be available at meeting) **Discussion tabled for December 14th BOF meeting**

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

Mr. Constantine stated that PBC has not yet met.

14. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of November 16, 2022, at 4:45 p.m.

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

Respectfully submitted,

Lilly Torosyan

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Recording Clerk

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