

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, MAY 17, 2023**

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

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

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman
Mr. James Zeller
Mr. Robert Lynn
Ms. Susan Karp
Mr. Kevin Graff {left at 4:30 p.m}

1. Public Comment Session: Comments pertaining to the call. ***None***
2. Communication: Minutes of April 19, 2023 Regular Meeting

Accepted as presented

3. Discussion with Chris Kachmar of Fiducient Advisors, and possible action on:
 - a. Allocation of FY 2024 Town Pension Contribution of \$10.35 million
 - b. Asset allocation alternatives to Hybrid Pension Plan

Mr. Kachmar explained that the pension plan FYD is up about 6.3% as of the end of April, while the new hires’ plan is up about 6%. Regarding the pension allocation, he has provided two paths for the Board to consider: the first scenario is to bring in \$10 million, set aside about a quarter’s needs of liquidity, which is about \$1 million per month, and then, invest the remaining \$7 million immediately. The second scenario is to not disrupt the existing assets in the corpus and set aside the money for forthcoming liquidity needs. A year ago, interest rates were low, so the opportunity costs associated with this action were significant. Today, money market rates are much higher than they were last year. Both scenarios are viable options to pursue, depending on the Board’s interest.

Mr. Zeller asked if there is a cost to sell off. Mr. Kachmar replied no, there is not. Mr. Soper remarked that he looks at this a little differently. What they are currently doing is selling assets invested for the long-term to meet short-term liabilities. He would not do this from either a professional or personal standpoint. He is more comfortable with allocating cash to meet short-term liabilities. Mr. Soper also considers this a portion of the fixed income assets. He looks at Metropolitan West and the BlackRock with effective durations of 6.5-7 years, while average

maturity is over 8 years. Especially given where interest rates are, it makes sense to keep a minimum of six months to a year allocated towards their current obligations.

Mr. Soper cannot make the differentiation between the 7.4% and the 4.9%. He instead compares the 4.9% to what the Town would be earning on the fixed assets. Also, he questions the 7.4% projection because it assumes that the 6.25% target would be significantly outperformed over the next several years, which it has not done. Mr. Soper clarified that he would consider putting the money into a short-term fixed income or short-term treasuries. He considers that part of the fixed income allocation.

Mr. Lynn asked why not just put \$7 million into equities. Mr. Soper explained that that is timing the market. What he would rather do is cover their short-term liabilities with liquidities and let the longer duration assets (equities) run. By reducing risk in having short-term money market treasuries, they could increase the other side of their risk by having a higher level of equity. This would be a slight rebalancing. Mr. Kachmar is more inclined to outsize the liquidity, so they should lean into the money market more than they typically would. He asked what the Board's notion of 'short term' is.

Ms. Karp asked if it is worth taking a risk for a potential return of \$147,000 or some lower amount, or does the Board feel more comfortable putting it in the money market fund with confidence that it would earn 4.9%. She seeks guidance on what to do. Mr. Soper disagreed that they are giving up the potential for the \$147,000 because he is looking at it as part of the fixed income assets. Mr. Kachmar added that there is equilibrium between money market and fixed income, so they are not sacrificing one over the other in the near term.

Mr. Soper asked about putting six months' worth of money (\$6 million out of the \$10.3 million) into the money market account or cash management account. Mr. Kachmar suggested investing the other \$4 million in two stages. Mr. Lynn asked what the reasoning is for phasing it in. Mr. Kachmar explained that the Board could put it all in now, but they do not know what will transpire. It is the Board's decision either way.

Motion by: Mr. Soper

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the following allocation of the FY 2024 Town Pension Contribution of \$10.35 million: to invest \$6 million in the money market account or cash management account and invest the remaining \$4 million in two stages over several months.

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

Mr. Kachmar explained that the new hires' plan is 60% fixed income and 40% equity. There has been discussion about harmonizing the allocation between the two plans. Typically, that change would be averaged in over a span of time. He showed different ways to do it, depending on the Board's comfort and desire. Mr. Zeller stated that he does not see the 60% fixed income and 40% equity option to match the legacy plan. Mr. Kachmar pointed out that the dollars in the new

hires' plan is much smaller than the Town's legacy plan. He explained that they started the exercise by orienting the pool in the direction of more risk assets (i.e., equities), which would approach the larger allocation mix of the Town's plan. As it sizes up, the program would be fully harmonized alongside the Town plan. Ms. Karp asked when to do this. Mr. Kachmar stated that if the Board approves it now, they will do the first tranche now, the second in three months, and the final tranche three months after that. The Board agreed that this would be a June meeting action item.

Mr. Graff left the meeting.

4. Communication:

- a. Pension Report - March 2023
- b. Flash Report - April 2023 (Chris Kachmar, Fiducient Advisors)

Ms. Rowley reviewed the reports dated April 27, 2023. As of March 31, the pension value is \$192 million. There has been an unrealized gain of almost \$5 million and a realized gain of \$1.3 million. Investment income is \$3.4 million.

5. Communication: Month End Investments – March 2023

Ms. McManus reviewed the report dated April 11, 2023. Projected total investment earnings for this fiscal year are about \$2.5 million. Mr. Soper asked about STIF. Ms. McManus explained that it is through the CT State Treasury's office. They collect money from other towns and do a pooled investment. She does not know what exactly they invest in. Mr. Soper would like to know what they are managing. Ms. Rowley will provide a link for him to see that information. Mr. Zeller commented that much conversation has been had about how to use the Unassigned Fund Balance. These increases are short term, so they could shift quickly. It is not the same as putting the money into the pension fund and lowering the ADC.

6. Communication: Financial Summary (Expenditures) for 10 months - April 2023

Ms. Rowley reviewed the report dated May 11, 2023. Ms. Karp asked if the anticipated transfer in was \$875,000, which they do not expect needing. They also expect to exceed investment income by about \$1.8 million. She asked if all of that would either stay or go to the Unassigned Fund Balance. Ms. Rowley stated that is correct. Mr. Zeller asked if they are ahead on the police. Ms. Rowley explained that they are about \$500,000 lower in all full-time salaries and about \$350,000 overextended in overtime. Mr. Zeller asked if the transfer for the Gideon Welles roof was already in CIP. Ms. Rowley clarified that the roof project was not included in the originally adopted FY23 budget. It was a supplemental budget to transfer out, but it is anticipated to be fully reimbursed as a grant.

7. Communication: Capital Projects – April 2023

Ms. Rowley reviewed the report dated May 10, 2023. Ms. Karp asked to include an inception funding date on the project summary that Ms. Rowley is putting together.

8. Communication: Self Insurance Reserve Fund – April 2023

Ms. Rowley reviewed the report dated May 5, 2023. The fund is experiencing a loss this year. Last year, at this same time, there was a \$1.9 million gain. Now, the fund is at a \$16,000 planned loss for the BOE. There are 22 large loss claims compared to last year's 15. The BOE has 14 and the Town has 8. They are working on negotiations for the stop loss. Ms. Karp noted that Mr. Graff had to leave the meeting early, but he requested a graph showing the threshold levels for the reserve fund, and where they are on an annual basis, for both the BOE and the Town.

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

- a. \$2,000 Town Manager – Mitigation for 131 Griswold Street
- b. \$235 Community Development – FoxIt License for Director
- c. \$5,000 Riverfront Park – Dock Installation
- d. \$1,900 Police – Development Course for Command Officer
- e. \$1,500 CIP - Open Space Woodland Management Plan Project
- f. \$235 Community Development – FoxIt License for Town Planner
- g. \$1,000 Community Development – Office Supplies Increase
- h. \$3,000 IT – Cabling Services for remainder of fiscal year
- i. \$1,410 Parks & Rec – Inflation costs for upgrade to Ford F-350

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

- a. \$80,000 – CIP Gideon Welles Boiler Project

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves a transfer of \$80,000 from the General Fund - CIP - BOE Energy Audits Schools, BOE GHS Cafeteria/Kitchen, and BOE Multi-School Locker Replacement to the General Fund - CIP - BOE Gideon Welles Boiler Project, as presented without changes.

Disc: Mr. Zeller asked if this is 10% above what was budgeted. Mr. Luiz stated that is correct. Last year, the bid received was a lot lower, but the BOE decided to hold off and wait.

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

- b. \$11,000 – CIP Welles Turner Library Renovation Project

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves a transfer of \$11,000 from Welles Turner Library - Contingency to the Welles Turner Library - Machinery and Equipment (FF&E), as presented without changes.

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

- c. \$36,613 IT – Equipment purchases that were eliminated in Proposed FY 2024 budget

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves a transfer of \$36,613 from Revenue Collection - Wages to IT - Office Equipment, as presented without changes.

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

11. **Action:** Recommend the transfer of certain uncollected taxes to the Suspense Tax Book

Motion by: Mr. Zeller

Seconded by: Mr. Soper

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends the transfer of certain uncollected taxes to the Suspense Tax Book.

Disc: Mr. Zeller asked if they do not do real estate at this time. Ms. Rowley replied no, that will be later.

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 the PBC has not yet met. Ms. Rowley noted that this is Ms. McManus' last BOF meeting.

13. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby adjourns their Regular Meeting of May 17, 2023 at 4:57 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.