

## GLASTONBURY BOARD OF FINANCE

### Amended - REGULAR MEETING MINUTES (see page 2)

WEDNESDAY, JULY 19, 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 was Matt Spoerndle from Phoenix Advisors.

### Roll Call

#### *Members*

Mr. Constantine “Gus” Constantine, Chairman

Mr. Jared Soper, Vice Chairman

Mr. James Zeller

Mr. Robert Lynn

Ms. Susan Karp {participated via Zoom video conferencing}

Mr. Kevin Graff

1. Public Comment Session: Comments pertaining to the call. *None*
2. Communication: Minutes of June 21, 2023 Regular Meeting

#### *Minutes accepted as presented*

3. Communication and Discussion with Matt Spoerndle, Phoenix Advisors, regarding bond rating factors

Matt Spoerndle reviewed the criteria that rating agencies use. S&P’s indicative rating is based on a combination of Institutional Framework (10%), Economy (30%), Management (20%), Financial Measures [consisting of liquidity (10%), budgetary performance (10%), budgetary flexibility (10%)], and Debt and Contingent Liabilities (10%). Moody’s does not have a Management category so the Debt moves to 30%. Mr. Zeller asked if the Unassigned Fund Balance comes under Liquidity (10%). Mr. Spoerndle stated that it comes under the Financial Measures (30%) overall. The biggest thing that the issuer can control, which has an impact on the rating, is fund balance.

Mr. Lynn commented that the Town’s debt profile is going down. He asked, if the Town were to move money from the Unassigned Fund Balance into the pension, how would that be weighed by the rating agencies. Mr. Spoerndle stated that, on a year-to-year basis, a dollar in fund balance is worth more than a dollar in the pension. However, in the long-term, it might make more sense to put that money towards the pension. It really depends on the situation. Ms. Karp asked if there are other places to put money, other than the pension. Mr. Spoerndle explained that there are other places, but it all depends on how the Town communicates such a transfer to the ratings

agencies. Mr. Spoerndle explained that Glastonbury's situation is favorable compared to the rest of the state. Mr. Soper asked how Glastonbury compares to other states, such as Massachusetts. Mr. Spoerndle stated that there is no headwind from Connecticut, which is in the best financial shape that he has seen in over 20 years. While national considerations are given by rating agencies, a lot of their factors really come down to the state level.

Mr. Graff remarked that, prior to six months ago, West Hartford had the same AAA rating as Glastonbury with a similar fund balance percentage. He asked what other factors were strong to make up for the difference in fund balance. Mr. Spoerndle pointed out a number of other factors, such as having a large taxbase. In general, ratings stay level, provided that there are no drastic changes year over year. An exception to this is if there is a major methodology change. Rating agencies look at total and available fund balance. S&P's "available" fund balance is assigned plus unassigned fund balance.

Mr. Soper asked if the rating agencies would view paying down debt more favorably than using fund balance for operating expenses. Mr. Spoerndle clarified that if one is using fund balance towards capital projects, that is a positive. If used to lower taxes, then that would have a different perspective. Mr. Soper asked what the difference in pricing is between AAA, AA, or A bonds. Mr. Spoerndle stated that it depends on the interest rates and where the market is. The gradation from a AAA to AA+ is probably 10-15 basis points on paper. The gradation from a AAA to a standard AA is a double notch down, so about 25 basis points.

Mr. Lynn pointed out that the Town has about \$39 million in the Unassigned Fund Balance but only needs about \$32 million to maintain the 18% minimum policy threshold. He wonders whether the Town could simply explain their intentions to rating agencies for moving the \$7 million surplus into the pension, which would save taxpayers \$110,000 **per million per year**. Mr. Spoerndle believes that that is a reasonable reason which should not jeopardize the Town's rating, as long as it is communicated properly. Ms. Karp asked how difficult it is to win back a AAA bond rating after losing it. Mr. Spoerndle stated that it depends, but he reiterated that rating agencies do not like to change a rating if they can avoid it.

4. Communication:

- a. Pension Report - May 2023
- b. Flash Report - June 2023 (Chris Kachmar, Fiducient Advisors) – *to be provided to BOF members upon receipt from Mr. Kachmar*

Ms. Rowley reviewed the pension report as of May 31, 2023. Mr. Zeller noted that (re: Agenda Item 6), the Town is running a \$1.7 million surplus on revenue. However, not much progress has been made on getting out of the unfunded situation. He finds this another thing to talk about, vis-a-vis moving money from the Unassigned Fund Balance to the pension. Ms. Rowley reviewed the flash report.

5. **Action:** Approval of Investment Policy Statement

**Motion by:** Mr. Zeller

**Seconded by:** Mr. Soper

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves the Retirement Income Plan Investment Policy Statement, as of June 2023.

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

6. Communication: Month End Investments – May 2023

Ms. Rowley reviewed the report dated June 30, 2023.

7. Communication: Financial Summary (Expenditures) for 12 months - June 2023

Ms. Rowley reviewed the report dated July 14, 2023. There is a \$1.7 million revenue surplus. The collection rate is 99.4%. Expenditures are trending down. It is anticipated that about \$500,000 in capital outlay will be rolled over to FY25. Mr. Zeller views the ‘gain in operations’ for many of these items as actually additional revenues. He asked if it is a requirement to use that term. Ms. Rowley stated no, it is not.

8. Communication: Special Revenue Funds Q2-2023 Reports

- a. Sewer Operating and Sewer Sinking Funds
- b. Recreation Activities and Police Private Duty Funds

Ms. Rowley reviewed the reports dated July 14, 2023. Regarding the Recreation Activities Fund, Mr. Soper asked if there is a goal for how much fund balance they seek. Ms. Rowley will check if there is a separate policy for the Recreation Activities Fund.

9. Communication: Capital Projects – June 2023

Ms. Rowley reviewed the report dated July 14, 2023. Ms. Karp noted that some projects were initiated several years ago and other projects took on a bigger life after their original budget, so she finds this sheet helpful.

10. Communication: Self Insurance Reserve Fund – June 2023

Ms. Rowley reviewed the report dated July 11, 2023. The fund is experiencing an almost \$1.1 million loss. There have been 20 large claim losses: 19 from the BOE, 1 from the Town. 4 of those hit the stop loss limit: 3 from the BOE and 1 from the Town.

11. Communication: Elderly Homeowners Tax Credit Update

Ms. Rowley reviewed the report dated June 22, 2023.

12. Recommendation: Creation of Special Revenue Fund for Nye Road

Mr. Luiz explained that the Town Council has signed a purchase and sale agreement for Nye Road, with a closing scheduled for no later than August 8. The Town negotiated with tenants who had leases that went out beyond July 2024. Those issues have all been resolved. The Town also receives rents from those properties which will have maintenance expenses. There is an agreement with one tenant to be paid to extinguish the option to extend their lease, in the amount of \$100,000. Because there will be revenues and expenses, Mr. Luiz recommends creating a special revenue fund.

Mr. Zeller commented that the purchase price was \$3.2 million, funded from ARPA. He recalls that former Town Manager Richard Johnson stated that the price came down to try to mitigate

some of the unanticipated issues/expenses that arose after that. Mr. Luiz explained that Mr. Johnson informed him that the final ARPA appropriation reflects the final negotiated price on the property. Mr. Zeller wonders if this special revenue fund should be expanded, in the future, to consider other Town-owned properties. Ms. Rowley explained that there is added value to keeping the Nye Road special revenue fund separate because it is a project of a large scale. This is just a motion to establish the fund.

Mr. Zeller would like to know where the money will come from. He noted that to just write a deficit check from the General Fund would mean that the BOF authorizes the funding, too. Mr. Soper stated that the Council cannot appropriate money. The BOF must do that, if it is a non-budgeted item. Mr. Soper asked if the BOF needs to be a part of this process to set up a special revenue fund. Mr. Luiz explained that the Charter has been silent on the creation of a special revenue fund. However, the history has been that Mr. Johnson would bring such a matter before the BOF for a recommendation to the Council. He sought to continue past practice.

**Motion by:** Mr. Graff

**Seconded by:** Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council that a Special Revenue Fund for Nye Road be established.

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

Mr. Luiz reviewed the report dated July 14, 2023.

13. Communication: Transfers Approved by Town Manager Since Last Meeting
  - a. \$800 Rec Activity Fund – Program Supplies
  - b. \$4,000 Sewer Operating – Four security cameras
  - c. \$550 Health – Office Chair

14. **Action:** Transfers over \$5,000
  - a. \$8,240 Library – Printing/Reproduction

**Motion by:** Mr. Zeller

**Seconded by:** Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves a transfer of \$8,240 from Welles Turner Memorial Library - Office Supplies and Data Processing to Welles Turner Memorial Library - Printing/Reproduction, as presented without changes.

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

#### 15. Discussion on Unassigned Fund Balance History

Ms. Rowley explained that she looked at a 10-year history to determine where the Unassigned Fund Balance growth was attributed to. The new updated analysis takes out the one-time expenditures. The fund balance does not change. It simply reallocates the revenues to get a better picture. There has been a \$6.67 million surplus in tax collection, and over the past 10 years, the

Unassigned Fund Balance has grown 208%. Mr. Zeller considers the \$875,000 to be an operational savings. Mr. Zeller would like to know, on a year-to-year basis, how much the budget was brought in under what they anticipate they would need prior to reallocation. Ms. Rowley explained that the total surplus or deficit is the surplus/deficit within the year. Mr. Soper noted that the total surplus into the Unassigned Fund Balance was \$25 million minus the \$17 million that the Unassigned Fund Balance has grown. Therefore, in some capacity, they have spent \$8 million. He asked how that money has been spent.

Ms. Rowley clarified that that is not the best way to look at it because there are other factors which account for the shift from assigned to unassigned. For example, in 2014, the auditors accounted for three different funds in the General Fund as one fund balance. Of the \$25 million, \$1.2 million of that \$8 million differential would be attributed to the reinstatement of the fund balance. Ms. Karp asked about next steps. The Board agreed to a special meeting in September to go through this topic in depth. Mr. Soper noted that the collection rate is 99.47% but the Town's target is 99.1%. He is seeking a recommendation for best practices. To this end, he would like Mr. Luiz and Ms. Rowley to look at the current collection rate, the opening cash balance, and what the correct collection rate should be.

#### 16. Discussion on Naubuc School Project Finances (requested by James Zeller)

Mr. Zeller explained that the BOE had approved some add-ons and sent them on to the state, which the PBC signed off on. \$685,000 was approved, which the Department of Education informed Mr. Zeller is not reimbursable. He asked the Town Manager to find out what he could. Mr. Luiz explained that it will not be submitted for reimbursement. Mr. Zeller finds this very strange. He would like to send the Council a letter to look into this matter. Ms. Karp stated that this was discussed at the BOE's May 31 meeting. Part of the \$685,000 will come from their technology budget and the rest will come from their 1% fund.

Mr. Zeller finds the timeline troubling. The only thing he knows for certain is that they will not be reimbursed for something that the State Department of Education told him that they could have been reimbursed for. Mr. Graff's recommendation instead is for Mr. Zeller to express his impassioned views at a BOE or Council public meeting. Ms. Karp agreed. Mr. Soper stated that the BOF has a fiduciary responsibility to the town, so requesting that the Council look into the matter is prudent. Ms. Karp suggested asking the BOE directly, instead of sending a letter to the Council to approach the BOE.

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

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

18. Executive Session:  
a. Strategy with respect to collective bargaining

***Motion by:*** Mr. Zeller

***Seconded by:*** Mr. Soper

BE IT RESOLVED, that the Glastonbury Board of Finance hereby adjourns at 6:00 p.m. and enters into Executive Session.

***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 on Public Broadcast Video On Demand, and an audio recording is available in the Finance and Administrative Services Office.*