

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, DECEMBER 13, 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 in attendance were Chris Kachmar of Fiducient and Christopher Liebel, Controller.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman

Mr. Jared Soper, Vice Chairman {participated via Zoom video conferencing}

Mr. James Zeller

Mr. Robert Lynn {participated via Zoom video conferencing}

Ms. Susan Karp

Mr. Kevin Graff

1. Public Comment Session: Comments pertaining to the call *None*
2. Communication: Minutes of November 28, 2023 Special Meeting

Minutes were accepted as presented

3. Communication:
 - a. Discussion on Fixed Income and Flash Report – November 2023 (if Flash Report is available),
presented by Chris Kachmar of Fiducient Advisors
 - b. Pension Report – October 2023

Mr. Kachmar stated that the BOF has expressed concern around MetWest, a fixed-income manager which has been a long-time staple in Fiducient’s discretionary platform. This Monday, their discretionary committee agreed to eliminate MetWest from their discretionary programs. Mr. Kachmar then reviewed the flash report, noting that while autumn was a challenging time frame, November was the best month for bonds in 30 years. The pension portfolio is up about 9% year-to-date, which totals roughly \$16 million in investment gains for the year.

Apart from MetWest, Fiducient is spending a lot of time on Barings, which is a real estate equity manager. He explained that the commercial real estate markets continue to experience pressures from the pandemic and work from home. While some clients are rotating capital away from this manager, he noted that Barings has liquidity provisions which require a notice of intention to leave. So, while it is possible to leave this manager, it is a process. Other than this, Mr. Kachmar believes that the rest of the Town’s asset allocation remains in good working order.

Mr. Soper asked how much Barings manages. Mr. Kachmar stated, about \$3.5 billion in their gross fund, with a little under \$600 million in the redemption queue; this is representative across their real estate peer group. Mr. Soper asked if Mr. Kachmar is comfortable with the Town's real estate allocation of 6.3%. Mr. Kachmar is comfortable right now with the way the portfolio is positioned. Fiducient is in the process of rescoring the Town's portfolio. Next month, he would like to hold a meeting with the BOF to do a deep dive on the asset allocation. The Board agreed. Mr. Kachmar then reviewed the New Hires Plan, noting that two of the reallocation legs have been completed, with two more to go. Over time, the program should look like what the broad markets are doing.

Mr. Lynn explained that he raised concern about MetWest because they were yielding subpar performance. He would like to know why they held onto this fund for so long and what Fiducient recommends going forward. Mr. Soper also seeks a recommendation on which fund(s) carries more or less risk than MetWest. Mr. Kachmar's recommendation is to rotate MetWest out of the plan and move Dodge & Cox into the strategy. For transparency, he noted that Dodge & Cox runs more concentrated than MetWest in their exposures, as they tend to lean into corporate credit whereas MetWest is a little more diverse. Statistically, though, he stated that the two portfolios look a lot alike. While fixed income has been a black hole for the last several years, higher interest rates have been a headwind for fixed income. He hopes that, moving forward, interest rates will level off and there will be stability. Those tailwinds would revert back to more compelling returns from fixed incomes, generally, and from the three funds they recommend.

Mr. Lynn pointed out that they have not been able to find a fixed income manager that yields great returns and low risk. He hopes that Dodge & Cox will be that. Mr. Soper asked about Dodge & Cox's average portfolio maturity and whether they are heavily weighted in any one sector. Mr. Kachmar explained that MetWest's duration is 7.1 years compared to Dodge & Cox's duration of 5.7 years. From a sector standpoint, Dodge & Cox has no particular concentration. However, they have a little more investment grade credit than the other managers, and at the end of September, they had a 40% weighting in mortgage-backed securities.

From a quality standpoint, Mr. Kachmar explained that Dodge & Cox runs about 12% below investment grade. Mr. Soper asked if the Town is allowed to have managers with below-investment grade. Mr. Kachmar stated yes, they are, to a point. Regarding fees, Dodge & Cox and MetWest are essentially the same, with Dodge & Cox running slightly more expensive, at 41 basis points versus the 37 basis points of MetWest.

By consensus, the Board agreed with Fiducient's recommendation to change from MetWest to Dodge & Cox.

Mr. Kachmar will return in January to review the asset allocation work.

4. Communication: Review of Investment Policy Statement

Ms. Rowley reviewed the report dated November 17, 2023. Mr. Zeller asked who the controller is. Ms. Rowley replied, the controller is Mr. Liebel; she is the treasurer. Mr. Soper asked what the limitation is on longer-term investments in the policy. Ms. Rowley stated that it is 25% of the total portfolio, or 5% of the budgeted general fund expenditures that can be invested in 36 months. Currently, they can invest \$9.13 million, which is 5% of the budgeted expenditures for this current year.

5. **Action:** Review of CIP Criteria

Ms. Karp asked if they still feel comfortable with the \$75,000 number, given the rising costs and inflation. Ms. Rowley stated yes, they are still comfortable with that number.

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends the CIP Criteria to the Town Council, as presented without changes.

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

6. Communication: Month End Investments – October 2023

Mr. Liebel reviewed the report dated December 13, 2023. He noted that a treasury bill matured last week and a CD matured around Thanksgiving. Since then, they have worked to increase the duration of their long-term fixed investments, which total \$8.4 million. Last week, they purchased a \$10.5 million treasury, which is technically not considered long-term under their policy, but is in line with their goal to increase the duration of their investments as a measure of protection against interest rates going down in the future. He noted that the five-year treasury has a higher interest rate than the four and three-year treasuries because rates have been going down. The Liberty Bank investments have a 2.99% rate, which was just increased to 5.01%. The TD Bank investments were increased, but only to 3.24%, so they plan to move the majority of that money into STIF to get a higher return.

7. Communication: Financial Summary (Expenditures) for 5 months - November 2023

Ms. Rowley reviewed the report dated December 6, 2023. She noted that December 15 is the day they are calling the bond.

8. Communication: Capital Projects – November 2023

Ms. Rowley reviewed the report dated December 6, 2023. She noted that the deadline to obligate ARPA funds is December 2024, so they will have to address this in the next year.

9. Communication: Self Insurance Reserve Fund – November 2023

Ms. Rowley reviewed the report dated December 5, 2023. There have been four large loss claims: two from the BOE and two from the Town. Two have hit the stop-loss: one from the BOE and one from the Town. She noted that they are in the final stages of implementing the premium holiday for employees. Ms. Karp asked if claims are trending like a normal year. Ms. Rowley replied yes; they are in line with what the trend has been over the past year.

10. Communication: Bank Collateralization Report

Ms. Rowley reviewed the list of banking institutions that the Town uses. Each institution is maintaining collateral that is greater than the required amount.

11. Discussion Concerning January 2024 Board of Finance Meeting Date (January 17th or 18th)

Ms. Rowley explained that, this year, there will be two CIP workshops. She asked if the Board would like to cancel their Thursday meeting to hold a special meeting on Wednesday, before the first workshop. Ms. Karp asked if the BOE would be invited to attend both nights. Ms. Rowley replied yes. The Board agreed to not change their meeting date.

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

Mr. Constantine stated that the PBC has a meeting tonight. Mr. Zeller remarked that he had asked about separating out the debt and transfer line. Ms. Rowley explained that, in the budget, they are separated out. Mr. Zeller clarified that he is looking at what the Town Manager presents to the public. About 8 different things show up under the Debt and Transfer category. He believes that debt is an absolute obligation, as opposed to some of the other things in that category. Therefore, he would like them to be separated out when presented to the public.

Mr. Soper stated that the budget is usually presented in three segments: the education portion, the town operation portion, and then the debt and transfers, which is not as understandable a segment as it could or should be. He agreed with Mr. Zeller that it is confusing to lump all of these things into one category. He suggested that there be four or five, instead of three, segments. Ms. Rowley asked Mr. Zeller to send an email with more information on suggestions for how to go about this. Mr. Zeller agreed to do so. Ms. Karp asked that, if any changes are suggested, that they be circulated to the Board for review.

Mr. Zeller also noted that, during budget season, they receive the FY21 actual, the FY22 actual, and the FY23 adopted. He would find it helpful to see what was adopted and what was actually spent in a full year. From a planning standpoint, he feels it important to have this information in order to gauge how well they estimated. Ms. Rowley noted that they can review that when they wrap up the 2023 audit. Mr. Zeller knows that this information is available. He would just like to see it put together for the BOF when they are reviewing the budget. Ms. Rowley agreed to consider it.

13. Adjournment

Motion by: Mr. Graff

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby adjourns at 4:58 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.