

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
WEDNESDAY, FEBRUARY 14, 2024**

The Glastonbury Board of Finance, along with Finance Director, Keri Rowley, and Town Manager, Jonathan Luiz, held a special meeting at 9:00 a.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 Becky Sielman and Scott Lindberg from Milliman.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman {excused}
Mr. Jared Soper, Vice Chairman
Mr. James Zeller
Mr. Robert Lynn {participated via Zoom video conferencing}
Ms. Susan Karp
Mr. Kevin Graff

Mr. Soper thanked Mr. Luiz, Ms. Rowley, Dr. Bookman, and their staff for providing information to the Board’s questions in a timely manner.

1. **Public Comment Session: Comments pertaining to the call** *None*
2. **Discussion with Milliman regarding Pension Plan and Amortization Growth Rate Options**

Ms. Sielman provided a summary of the July 2023 valuation results. Mr. Soper asked if the FY 24-25 budget is different than what was previously presented. Ms. Sielman stated that it is a little higher. They have updated census information for all plan members and updated asset information reflecting market performance during FY 22-23. Liability has gone up a bit more than they had expected, which is due to many minor factors. She also noted that there were a couple offsetting sources, such as higher turnover and retiree deaths than expected.

Ms. Sielman explained that the ADC is a little higher than they were expecting. There were modest plan changes, such as the hybrid plan vesting being decreased from ten years to five years. In the experience study, all of the assumptions put together have reduced the ADC to \$9.889 million, but that is without modification of the amortization growth rate. She has provided columns of various alternative options for reducing the amortization growth rate. All of them have the same unfunded accrued liability, at \$65.1 million, and the same amortization period of ten years. What is different is how they construct a series of ten years of payments. The idea behind a growing amortization payment is that, over time, everything goes up in the budget. Therefore, relative to the entire budget, it is remaining constant.

Mr. Lynn asked how much of this deficit is due to 2008 stock return versus improper assumptions in the past. Ms. Sielman agreed that investment performance has played a large role,

which includes the 2008 financial meltdown; however, that also includes the dot-com bubble, which burst a few years earlier; and the other major headwind has been the 20-year slide in inflation and interest rates. Mr. Lynn asked if, in FY25, they should see the unfunded accrued liability at \$59 million. Ms. Sielman stated that it should go down to about \$60 million. Mr. Lynn asked how long they have been working towards reducing this past obligation to zero. Ms. Sielman replied, since the inception of the plan.

Mr. Soper clarified that, prior to 2008, the Town's pension plan was fully funded, but their assumptions were incorrect. He stated that they are currently under the assumption of having the amortization growing at 3.5%. Prior to this meeting, the BOF had made a recommendation to move down to zero percent. However, Ms. Sielman suggested somewhere in the middle, between zero and 3.5%, is more appropriate. Ms. Sielman is comfortable with having anything from 0 to 3.5%. She also noted that they do not need to have the same amortization growth rate for both (the hybrid and legacy) plans.

Mr. Soper asked what the sentiment is about the Town Manager's recommendation of 1.5%. Ms. Sielman is comfortable with it. Ms. Karp asked if this would also apply to the BOE's number. Ms. Rowley replied, yes, and the numbers that are currently in for the BOE and the Town would not change this year. She will ask Milliman to include the additional contribution figures, such as the \$1.2 million contribution. Ms. Sielman will issue their valuation report once the BOF settles the amortization growth rate. She will ensure that the extra contribution is included.

Mr. Zeller asked how much money they need to come up with to cover this. Ms. Sielman will get the final numbers to Ms. Rowley this afternoon. Ms. Rowley remarked that if the BOF decides to proceed with the zero percent, an additional \$313,000 will need to be added to the budget. Mr. Zeller asked if the 1.5% would be level funding. Ms. Rowley stated yes, and noted that if the amortization stays at the current 3.5%, it would be a savings of \$508,000. Mr. Soper asked if that includes the savings of the \$1.2 million. Ms. Rowley replied, yes. Ms. Karp asked if the BOF will make a motion next week to change from a 0% to 1.5% assumption. Mr. Luiz stated yes.

Mr. Soper asked about the potential of the BOE moving from the legacy to the hybrid plan. Ms. Sielman explained that, years ago, they reviewed this matter and concluded that there was not a significant cost impact. However, with the new actuarial assumptions, she recommends taking a fresh look. Mr. Zeller recalls that there was no impact then because the market was producing good returns and the BOE was increasing contributions, which hit a maximum. Therefore, he is unsure whether that original conclusion is true anymore.

3. Communication: Presentation of Grand List Report

Town Assessor Nicole Lintereur explained that the net taxable value of \$5.4 billion dollars is an increase of 0.66% over the revalued 2022 list. The real estate market continued its upward march, and the motor vehicle list decreased by 2.26%, driven by the overall decline in used car values from the historic highs of 2021.

Mr. Luiz asked if there is any new legislation as to how motor vehicles will be assessed. Ms. Lintereur stated that, in 2022, the State signed legislation that will change the way cars are assessed. This will take the actual MSRP and have a set depreciation schedule, at 5% per year. The legislation was pushed off in 2022 and 2023, but will be effective for the 2024 motor vehicle list. Ms. Karp asked what the impact will be. Ms. Lintereur replied that it will create a semblance

of fairness, making it easier to value cars, so fewer people will be contesting their assessments. Because there will be an automatic depreciation, she noted that the list will drop, but Glastonbury has enough new cars coming on the list to keep them in positive numbers.

Mr. Soper asked what the amortization schedule will be for used cars. Ms. Lintereur stated that it will be more than ten years. What she has heard most frequently is the 5% each year with the residual value. Mr. Zeller suspects that detaching assessments from the market value will lead to a loss of revenue collection in the long-run. Mr. Soper asked how CL&P is assessed or valued. Ms. Lintereur stated that it is all their infrastructure. They are typically the top taxpayer across most cities and towns across the state. Mr. Soper noted that, of the top ten taxpayers in the state, CL&P is the only one whose value increased. Ms. Lintereur explained that it is due to reinvestment in the personal property that they own in town.

4. Budget Reviews:

Town Capital Projects

Mr. Soper asked how much they need to spend on the electric vehicle charging stations. Mr. Luiz stated that \$215,000 was budgeted last year, \$215,000 is budgeted this year, and the Town will be receiving \$784,000 in state funding from Eversource. Mr. Soper noted that electric vehicles represent less than 1.5% of the total vehicles in town. Mr. Luiz asked to also consider that the location of some of these units will be on town property, so the device can be used for town staff vehicles.

Ms. Karp wonders whether the fire department vehicles could be considered for bonding. With the lead time for some of these vehicles, she believes that bonding could provide flexibility to replace things in a timely manner while taking advantage of interest rates. She is cautious about opining on individual capital projects, which is the charge of the Council. However, she believes that this year may be different because of the deadline of the ARPA funds. There are \$2 million worth of projects, exclusive of ARPA designated funds, which could be paid for with ARPA funds. When the BOF makes a recommendation to the Council for a transfer, she would like them to be cognizant of the ARPA funding, as well.

Ms. Karp believes that some of the proposed work at the Williams Memorial is not really part of Williams Memorial. She asked if there is any separation for some of these projects. Mr. Luiz explained that he had initially thought that Williams Memorial included the entire building. However, work needs to be done outside of that initial study area, and in all three locations (the basement, the gym level, and the main hall). He also believes that work needs to incorporate the Teen Center, the kitchen, and other surrounding rooms, which could be used for storage. He also noted that, once the kitchen is cleaned up, it can be used for Registrars. He stressed the importance of linking all these components.

Mr. Zeller believes that any project that does not connect that building with Town Hall is a waste of money. He also pointed out that the basement of the magnet school was set aside for storage. Mr. Luiz will look into the storage opportunities there. In terms of linkage to Town Hall, he explained that it would be a priority to connect the entryways out on Main Street for staff. For the public, the logical entrypoint would be the doors that people enter now for the gym. Mr. Zeller thinks that the public should be able to access one town unit from another. Mr. Luiz stated that it is difficult to do that from an ADA perspective. He also does not want to encourage people

to get to Williams Memorial through Town Hall. Mr. Soper also thinks that linkage is important. Mr. Luiz explained that the vast majority of business is conducted in Town Hall. Town staff in the Academy building, for the most part, do not conduct business with the public.

Ms. Karp asked about the new animal control shelter. Mr. Luiz stated that the project is almost ready to go, but funding is short by \$1 million. There will be STEAP grant opportunities this summer, for up to \$500,000. His thought is to apply for that, and he has also encouraged Marlborough to apply, as well. If they do not receive any STEAP funding, then he noted that the money could potentially be used for the Williams Memorial project instead. Mr. Lynn asked how the project is \$1 million over budget. Mr. Luiz explained that the design process started prior to his arrival. It was designed, and the cost estimate came in much higher than originally fathomed.

Ms. Karp asked about the boat launch problems at the Riverfront. Mr. Luiz stated that he would like to direct Town Engineering staff to do a deeper dive on whether something could be put in structurally to avoid this recurring issue in the long-run. Mr. Graff asked if there is anything that prevents them from borrowing as they go. Mr. Luiz believes that there are time limits on when the money has to be spent, if they proceed with a bond. Therefore, they could acquire the approvals and exercise them later with the actual borrowing. He has to look into whether or not there is a time limit. Ms. Rowley explained that, when they go for a referendum, they ask for a certain amount. Thus, if they wait too long, they could risk the numbers escalating. Mr. Zeller does not think that there is any timeline, but that should be looked into.

Mr. Zeller finds it important to acknowledge that they are not going to be able to do all of the projects on the CIP list. He believes that the Council will have to accept the need for bonding. Mr. Graff agreed. He asked what message the BOF would like to send to the Council next week. Ms. Karp added that, if they recommend bonding, then they must make it clear that it should be for needs/must-have items. That way, they can communicate to voters that these are items that will be funded, regardless of the referendum outcome. Mr. Soper stated it is expensive to bond, so if they needed something done in the near future, and it was not a large cost, then they could do short-term municipal paper until the time of bonding.

Mr. Luiz finds it necessary to know the ten-year plan of the BOE because the big projects will be school projects. Mr. Soper appreciates Mr. Luiz's need to do a full study, but he feels strongly that the Town faces one of three options: either some of the projects on the CIP list will not be done; the CIP budget needs to increase to \$9-10 million; or they need to bond. He pointed out that they have never gone to a referendum communicating that they believe this is the best way to fund these projects, which will be funded regardless of the referendum outcome.

Mr. Luiz's fear is that they do not know about potential school projects on the horizon, which would entail both increasing capital project funds and bonding significantly. Mr. Soper does not see how they can pay for a \$6 million roof at the GHS without bonding. Mr. Luiz noted that there is a 33% reimbursement for that project, and the \$4 million could be split into two-year payments of \$2 million each year. Mr. Zeller agreed with Mr. Soper that they cannot pay for all these items out of the operating budget.

Any Other Unfinished Budget Related Items

Ms. Karp requested updated charts showing \$250,000 increments and a tax increase up to 3%. Ms. Rowley agreed to provide that at the Board's meeting next week. Mr. Soper stated that the Town Manager's proposed letter denoted \$342,000 as the assessed value for an average property; however, Ms. Rowley had stated that it is the market value. Ms. Rowley clarified that, in the letter, it is the market value; in the presentation, it is the assessed value. Mr. Zeller asked, in order to do what has been requested, how many actual dollars are needed in new taxes. Ms. Rowley replied, \$7.164 million.

Mr. Lynn left the meeting. The BOF then conducted a walk-through of Williams Memorial.

5. Adjournment

Motion by: Mr. Zeller

Seconded by: Mr. Graff

BE IT RESOLVED, that the Glastonbury Board of Finance hereby adjourns at 11:00 a.m.

Result: Motion passed unanimously {4-0-0}.

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 the link to access the 'Town's Video OnDemand platform.'