

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, MARCH 20, 2024**

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.

Also in attendance were Chris Kachmar from Fiducient Advisors 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
Ms. Susan Karp
Mr. Kevin Graff

1. Public Comment Session: Comments pertaining to the call *None*
2. Communication:
 - a. Minutes of February 14, 2024 – CIP & Unfinished Budget Related Items Special Meeting

Minutes accepted as presented

- b. Minutes of February 21, 2024 – BOF Regular Meeting

Ms. Karp stated that, on page 4, the second sentence from the bottom should read, “adopted by both the **BOF** and the Council,” not “the BOE and the Council.”

Minutes accepted as amended

- c. Minutes of February 23, 2024 – BOF Recommends Budget to Town Council Special Meeting

Minutes accepted as presented

3. Communication:
 - a. Fiducient Report - February 2024 (Chris Kachmar, Fiducient Advisors)

Mr. Kachmar explained that interest rates have moved a bit higher year to date. The Town’s portfolio plan was up 13.5% in calendar year 2023, and performance year to date is off to a good

start. He noted that Dodge and Cox has replaced MetWest, and domestic equity is a bit overweight. He has worked with Ms. Rowley on sourcing the Vanguard strategy to bring the capital back to \$2.8 million. The yields from money market funds are still elevated. The complexion of the program is standing where it has through time. He iterated that there are no concerns from a due diligence perspective on the managers. Mr. Lynn asked if Earnest Partners has a 7% real estate exposure. Mr. Kachmar will check and report back.

Mr. Kachmar then reported on the New Hires' plan, which was up about 12.15% in calendar year 2023. He noted that the numbers run relatively close to the benchmark. The dynamic on the allocation front is a little more nuanced. The Town's current asset allocation is about two-thirds fixed equity and one-third fixed income. He explained that they have conducted an Efficient Frontier exercise to re-optimize these numbers by derisking the portfolio. He noted that the Town has a 6.25% return target, but the return is actually somewhere between 7.5-8%. He showed different percentiles, noting that 7.5% is a median number.

He noted that the New Hires' current mix is going away because of the Board's reallocation effort, so the most likely outcome is 7.5%, but it is not guaranteed. He thinks that the New Hires' 5% return target might be too low. Now that it is gravitated to a town plan-like allocation at 6.25%, he imagines that there will be discussions on harmonizing those allocations. Mr. Kachmar summarized that it was a good 2023 for both of the plans, and it is a good start to 2024 for both of the plans. He reiterated that this engineering exercise is an uncertain one with variability in market outcomes.

Mr. Lynn asked about Barings. Mr. Kachmar explained that the real estate market continues to be under duress, not just Barings. However Barings has taken an interesting approach, which uses a higher capitalization rate than their peers. Their philosophy is that, when there is a recovery, they will have a better return. Mr. Lynn asked what the mix is for Barings. Mr. Kachmar stated that the biggest concern is the Class A space. They have more offices than their peers, which they have started to rotate out. He does think that once things stabilize, they will return to those 7.5% to 8% returns.

Mr. Soper asked what sort of return is applied for the international asset allocation. Mr. Kachmar explained that the total return at the end of last year was 5.5%. They are assuming that interest rates will come down. US equity returns are broadly at 6.5%. They have developed international markets using 8.2%. Emerging markets continue to be the absolute return leader, at a 10% return, with the recognition that they are more volatile. Mr. Soper stated that the expectation has been wrong on the international return for the last 10 years, so he would lower the assumptions.

Mr. Kachmar suggests sending a summary paper on how they came up with their assumptions on the asset level. Mr. Zeller pointed out that the Board had reduced their international allocation at one point because it kept underperforming. Mr. Kachmar stated that is correct. The most frustrating topic he has had with municipal finance boards has been regarding international markets. However, he is still a proponent of global diversification. He believes that there are good companies overseas that they cannot get with exclusively domestic programs, and the return stream is worthwhile, as well as the diversification benefits.

Mr. Zeller asked about the historical data on assumptions versus returns. Mr. Kachmar has that data and noted that their outcomes have been fairly accurate. Mr. Zeller asked to get that information, which he would find more useful than data on the methodologies. Mr. Lynn asked if Glastonbury is more underweighted in international assets than other municipalities are. Mr. Kachmar stated that it runs the spectrum, but Glastonbury is on the lower end. West Hartford has a similar weighting. Mr. Lynn asked if any changes are suggested. Mr. Kachmar replied no.

Mr. Zeller asked if emerging and developed markets are separate in the international space. Mr. Kachmar stated that about 25% of the opportunities overseas are emerging and 75% are developed markets. Mr. Zeller is curious to know if the emerging markets have had good years. Mr. Kachmar stated yes, Cape Ann beat the benchmark, as did GQG, which was up 38% compared to the benchmark's 5%. He explained that emerging markets have splendid returns sometimes.

b. Pension Report - January 2024

Ms. Rowley explained that Mr. Kachmar just presented the report. There were no questions.

4. Communication: Month End Investments – January 2024

Mr. Liebel presented the report dated March 20, 2024. Ms. Karp asked if the January tax collection was at the level they expected. Ms. Rowley explained that their new revenue collector is working on her report, so she will report back next week.

5. Communication: Financial Summary (Expenditures) for 8 months – February 2024

Ms. Rowley presented the report dated March 14, 2024.

6. Communication: Capital Projects – February 2024

Ms. Rowley presented the report dated March 14, 2024.

7. Communication: Self Insurance Reserve Fund – February 2024the

Ms. Rowley presented the report dated March 6, 2024. There have been 16 large loss claims: 9 for the Town and 7 for the BOE, of which 6 have hit the stop loss limit: 3 for the Town and 3 for the BOE.

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

- a. \$1,900 Assessor – Just Appraised software implementation
- b. \$3,600 Sewer Operating– Increase two blanket POs for Polymer and lab filters
- c. \$2,500 Revenue Collection – Purchase new currency counter/discriminator

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

- a. Discussion on need to increase the appropriation of the Main Street Reconstruction project so it aligns with the grant funds with possible action on:
 - o Motion to approve and recommend to the Town Council a \$1,313,532 transfer from the Capital Reserve Fund Balance to the capital project “Main Street Reconstruction” to align with the total LOTCIP grant funding received.

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby approves and recommends to the Glastonbury Town Council the transfer of \$1,313,532 from the Capital Reserve Fund Balance to the capital project “Main Street Reconstruction.”

Disc: Mr. Zeller asked if the reimbursement is guaranteed from the state. Mr. Luiz stated that they have already received it.

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

10. Communication: Audit Review Meeting (review of March 4, 2024 meeting)

Mr. Lynn attended the meeting. He stated that the auditors had no findings, and they complimented Town Staff. Ms. Rowley noted that the Town is currently out for an RFP for auditing services because they have hit the last year of their five-year contract.

11. Communication: Bank Collateralization Reports

Ms. Rowley reviewed the report as of December 31, 2023.

12. Communication: Reminder – Must establish mill rate within 3 business days after Council adopts budget

Ms. Rowley reminded the BOF of their meeting on Friday, March 22 at 9:00 a.m. to establish the mill rate.

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

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

14. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. Constantine

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of March 20, 2024, at 4:51 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 link to access the ‘Town’s Video OnDemand platform.’