GREATER NEW BEDFORD REGIONAL REFUSE MANAGEMENT DISTRICT MEETING

Meeting Minutes
Tuesday, February 15, 2022

1. Call to order

The Greater New Bedford Regional Refuse Management District Committee held a publicly posted meeting on **Tuesday, February 15, 2022, at 8:00 A.M**. The meeting was called to order at 8:00 a.m.

District Committee members, District Counsel, Bartholomew & Co. representatives, and Hague & Sahady representatives participated remotely.

2. Legal notices

Chairperson Beauregard read the following statement:

> "Pursuant to Section 20 of Chapter 20 of the Acts of 2021, all members of the District Committee are participating remotely in this meeting.
>
> I want to remind the members that texting and private chats on Zoom are not an acceptable method of remote participation. I also want to make sure that all members can be heard when they are speaking and if any member cannot hear another member, please let me know.
>
> Finally, I want to inform members that if their remote connection is lost, they should attempt to log back in. If your remote connection is lost, we will note the time you were disconnected and the time you logged back in.
>
> Pursuant to the Open Meeting Law, any person may make an audio or video recording of this public meeting, or may transmit the meeting through any medium. Attendees are therefore advised that such recordings and transmissions are being made, whether perceived or unperceived, by those present, and are deemed acknowledged and permissible."

Mr. Beauregard noted that all legal notices of the meeting were posted in Dartmouth and New Bedford more than 48 hours prior to the meeting.

There were not any members of the public present at the meeting location where the public meeting notice was posted.

3. Roll call of members
Chairperson, John Beauregard; yes
Daniel Patten, yes
Christine LeBlanc, yes
Ken Blanchard, yes
Michael Gagne, yes
Kelly Cabral-Mosher, yes

Mr. Beauregard noted that all members of the District Committee of Greater New Bedford Regional Refuse Management District who have responded to the call of the roll, being Daniel Patten, Christine LeBlanc, Ken Blanchard, Michael Gagne, Kelly Cabral-Mosher, and John Beauregard are participating remotely in the meeting.

He also noted that Attorney Matthew J. Thomas, District Counsel, Michelle Newcomb, and Alex Bartholomew of Bartholomew & Co., and Mary Sahady, of Hague, Sahady & Co., P.C., were also participating remotely. Scott Alfonse, Executive Director of the District, Lee Ferreira, Secretary, and Tom King, District Accountant, were present at the advertised meeting location.

4. Approval of minutes

   a. Approval of January 13, 2022, minutes

   Chairperson asked for a motion to approve the minutes of the January 13, 2022, meeting. Motion made by Ms. LeBlanc, second by Mr. Gagne. Roll call vote: Chairperson John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes; Daniel Patten, yes; Kelly Cabral-Mosher, yes.

   Motion passed 6-0.

5. Warrant Report and Ratification – Warrant No. 10-22 (January 6, 2022), Warrant No. 11-22 (January 21, 2022), and Warrant No. 12-22 (February 8, 2022).

   Chairperson Beauregard asked for a motion to ratify warrants No. 10-22 dated January 6, 2022, No. 11-22 dated January 21, 2022, and No. 12-22 dated February 8, 2022. Motion made by Mr. Patten, second by Ms. LeBlanc. Roll call vote: Chairperson John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes; Daniel Patten, yes; Kelly Cabral-Mosher, yes.

   Motion passed 6 - 0.

6. New Business

   6a. Discussion of District reserves investments with representatives of Bartholomew & Co.

   Motion to receive an update on District reserves investments from representatives of Bartholomew & Co. made by Mr. Gagne. Second by Ms. LeBlanc. Roll call vote: Chairperson Beauregard, yes; Ken Blanchard, yes; Kelly Cabral-Mosher, yes; Michael Gagne, yes; Christine LeBlanc, yes; Daniel Patten, yes.

   Motion passes 6-0.

   Chairperson Beauregard introduced Michelle Newcomb and Alex Bartholomew of Bartholomew & Co.

   Ms. Newcomb gave an overview of Bartholomew & Co. The company currently manages $3.8 billion in assets, including government and institutional assets of over $2 billion, for over 270 municipal entities across Massachusetts. Of the $2 billion, $1.2 billion are investments listed on the Massachusetts “legal list” of investments, and $400 million is in OPEB funds for 170 accounts.

   Mr. Bartholomew noted the Districts various accounts are managed the same (excluding OPEB) with a 10% equity target and 90% fixed income and cash target. Investments are all off the legal list of investments from the Massachusetts Division of Banks. He identified three topics for discussion - the pandemic, interest rates and inflation.

The picture was consistent from the update to the Committee in March 2021 until the end of last summer. The Federal Reserve Bank (the Fed) planned to keep interest rates at 0% through 2023, but has since changed course. In September 2021, there were indications that that they would start to remove the monetary stimulus that had been in place since March 2020. The Fed is tapering monthly bond purchases from $120 billion per month to $0 by June 2022 because the economy has rebounded.

Mr. Bartholomew noted the Fed's dual mandate is full employment and monitoring inflation. They have taken on more than their mandates, and acknowledged they consider other factors, including global markets and social class discrepancies. But looking at their formal dual mandate – unemployment went from 14% in March 2020 to 4% unemployment recently. However, inflation is persistent, with CPI in the 6-7% range. The market and the Fed remain concerned about inflation. It will be interesting to see what inflation numbers are as interest rates rise over the next few months with the increase in the overnight lending rate from 0% to .25%. It is expected that the Fed could do that 4 to 6 times in 2022.

Mr. Bartholomew noted the impact of this to the District's portfolio. Interest rates have risen steadily since September 2021 and aggressively year to date in 2022. He reviewed the interest rates we should monitor to understand what is happening in the market.

- The 10 year interest rate is the benchmark that everyone looks at. The 10 year treasury rate started this year at 1.52% and was between 1.3% and 1.55% most of last year (2021). This year, it increased by .5% and is now around 2.0%. The other consideration to monitor is more applicable to the type of fixed income allocations we have in most of these assets. It is a shorter duration type of portfolio because its largely fixed income with only 10% equities exposure. The equities help to offset inflation risk or interest rate risk.
- The 3 year treasury has a better representation of the District's weighted average duration. It started the year around 1% and is now at 1.71% - almost doubling in yield in 6 weeks.
- The 3 month treasury is important because the District owns a lot of floating rate treasury securities. They benchmark off that rate and reset weekly. The rate was .06% on December 31, 2021, and is now .36%.

All of these factors have contributed to negative performance year to date. The performance is driven by interest rate risk on fixed income, and equity volatility due to concerns over inflation and geopolitical concerns over Russia and Ukraine.

We did see markets start to rebound from some of the inflation fear and volatility in January 2022 and the feds continued more aggressive stance. There was a rebound in equities to close out January 2022, but volatility has returned because of geopolitical uncertainty. Oil has skyrocketed due to Europe's dependance on Russia for oil. Year to date, there isn't much variance on the performance across the District's portfolios. The Closure account had slightly better performance than others (excluding OPEB). Year to date, the portfolio is down .83% through January and there was more negative performance in February. Even with the 10% equities, it is only lagging the 1 to 3 year credit index by .11%. Equity risk is not really adding to negative performance in these portfolios. The 10 to 12% equity exposure is doing its job to offset risk.

Mr. Bartholomew reviewed the February 2022 relative performance vs. the bond index, which is positive, while overall returns are negative.

Mr. Bartholomew reviewed page 2 of 12 of the Trust Funds portfolio summary. He noted the portfolio was starting to increase in yield and the slow increase in treasuries. Agencies and CDs holdings will decrease, consistent with Bartholomew's recommendations during the March 2021 meeting. Corporate bonds and treasuries, plus fixed income Exchange Traded Funds, or ETFs (shown as bond funds) represent the best mix of return, liquidity, and safety.

Agencies and CDs have not offered a spread over treasury securities, and they have had challenges in liquidity. Treasuries and corporate bonds offered the best options for liquidity. The portfolio is dominated by corporate bonds, treasuries, ETFs, and appropriate amount of equities securities, with a higher current yield in the portfolio. Mr. Bartholomew reviewed pages 3 and 4. He noted the results are similar across all accounts and that it is an investment grade portfolio. Anything the District owns below AA+ is corporate bond exposure. AAA+ should be corporate exposure because S&P still has US government at AA+. All treasuries and agencies show as AA+. CDs are shown as "not rated". This does not mean that they are below investment grade. They don't receive ratings from credit rating agency.

Mr. Bartholomew referred to page 5 and noted the short duration average. The yield to maturity (.82%) is more representative of the current total return expectation of the current bond portfolio, compared to current yield of 1.2%. As we reinvest in 2022 and 2023 into higher yields, the current yield and yield to maturity will come up. Bartholomew will look at the equity allocation if necessary, depending on inflation. In this portfolio, with only 10% in equity, Bartholomew is trying to protect principal and purchasing power. If inflation stays persistent at 7% year after year, it won't be able to keep up with that. Bartholomew won't take an aggressive stance to keep pace with inflation. Instead, they will stay conservative and understand that for the last 20 years, while inflation has been low, the portfolios have grown at a rate greater than Consumer Price Index (CPI).

He cautioned against looking only at a 3-5 year period where inflation is higher than return, and noted the need to look at longer time period where we have grown purchasing power over the long term. Mr. Bartholomew reviewed a few examples of this in closure and post closure accounts back to 2016, and noted low inflation also existed prior to 2016. The Fed has acknowledged that for a healthy economy, they need to let inflation run above 2% to average at 2% over a longer period of time. It's likely they would prefer inflation at 2.5% to 3.5%. The goal is manageable and controllable inflation. He noted that at the beginning of the pandemic, inflation went down, and we were in a deflationary period. He noted the Fed may feel the need to become more aggressive to stave off inflation. The concern is that if they are too aggressive, it could force the economy into recession, as interest rates rise too quickly. They are doing what they can to normalize interest rates and money supply. He noted all the positive signs in the economy – a strong labor market and corporate earnings. However, the supply chain problems remain an issue.

He reviewed page 7 and noted the positive return compared to the negative fixed income comparables. The 10% invested in the 21 instruments on the legal list (noting that the District does not invest in GE) have offset interest rate and inflation risk.

Mr. Beauregard asked why the District does not invest in GE. Mr. Bartholomew reviewed some of the general concerns regarding GE related to high debt levels. He reviewed the steps they have taken to address their debt.

Mr. Bartholomew reviewed page 8 listing stocks the District does own. He noted the challenge is not only in the number of names but also in the number of sectors. Some of the best performing sectors are energy, financials, and utilities. Other growth names in technology stocks are not represented. These are not equities that are well represented on the legal list, and they are not owned by the District. He acknowledged this list of equities has performed well vs. the market and has added to the portfolio. However, he does not consider this a robust, high quality equities allocation and this has been discussed at past meetings. It's a discussion they have with other municipal clients, and Bartholomew manages hundreds of millions of dollars in these 21 equities. Their approach is to determine the position sizes as best they can by trying to track the sector exposure of the S&P 500. This is the final tool available to them given the limitations. He believes it has worked out, provided there are no other changes in the list.

Mr. Bartholomew noted the fixed income ETFs owned in all portfolios. He described these as actively-managed government securities that provide access to agency mortgages. The District cannot purchase agency mortgage pools individually but can through these ETFs. He explained the differences between the ETFs.

Mr. Blanchard asked how the dividend reinvestment works in common stock. Mr. Bartholomew said dividends are reinvested back into the stock, as they do with ETFs.

Mr. Bartholomew referred to page 9 and said they are finding some success in corporate bonds. He noted prices and yield to maturity as the tool for measurement.

He reviewed page 10, including the treasury bond list, and noted CDs will roll off as they mature.

Mr. Blanchard asked, if the District should consider common stock as an option to maturing CDs. Mr. Bartholomew noted the benefits (the credit quality is excellent) and the drawbacks of CDs. He reviewed the other beneficial options for fixed income, such as investment grade corporate bonds and treasuries. He noted increasing common stock holding is an option, but it depends on the District's risk tolerance and time horizon (District's spending from these portfolios going forward). He does not feel it is a significant material step to go from 10% equities to 15-20%. Bartholomew is open to discussing what the District hopes to achieve and how that might affect the equities target.

Mr. Bartholomew reviewed the OPEB fund. He referred to page 5 and noted the fixed income duration, which would be longer because of the 40% equities target in this portfolio.

He reviewed returns on OPEB and referred to page 4, noting the fixed income summary is largely the same as the other portfolios. In this portfolio, they will be more aggressive in pushing duration out due to the higher exposure in equities.

Mr. Bartholomew reviewed page 6 and noted that instead of being down .7% to .8% as the other portfolios, this is down 2% through January 31 and is down 3.5% through the date of the meeting. The other accounts are collectively down 1.3%. This is the result of the equity volatility discussed earlier. He also noted that forward guidance from the Fed is changing regularly. He doesn't think volatility in equity market is representative of a "flight to quality" or a selling event since there has not been a sell off of other risk assets. We have seen parts of equity market re-price.

He reviewed page 7 and noted the strong return in 2021. He continued with the review of pages 8 and 9.

Mr. Beauregard asked what Mr. Bartholomew's expectations on equities are. He believes the broad market and equities will be fine because the economy is strong. He feels that there have been a lot of conservative decisions at the corporate spending level because of pandemic. In a post pandemic world, where things are more normal, people will continue to return to work and spending money on leisure, hospitality, travel will normalize. He is optimistic about this. It does not depend on what the Fed has to do to combat inflation. He believes steps Fed is taking now are healthy. Interest rates should not be at zero. Inflation should be at least 2%. Removing the stimulus raising interest rates are healthy. The market volatility and negative returns are because it's happening more aggressively than anticipated. It does not translate into an unhealthy approach. However, if inflation remains persistent, then there are concerns about a recession and the equities market. Although the District has seen negative performance in fixed income assets, it is in a position to take advantage of market conditions.

Mr. Thomas asked, aside from geopolitical concerns, if he felt that if supply chains issues normalize, inflation could normalize to healthy levels. Mr. Bartholomew feels that parts of the CPI "basket" (hotels, used cars, air travel) could experience deflation because these are at a premium and it has had a material impact on the basket. Oil is spiking because of the conflict. If this is resolved, there could be deflation in oil. Last year, energy costs impacted inflation but that is unlikely to continue year after year. One difficult item to forecast is the impact of housing. The rental equivalency on the increase of purchasing homes is difficulty to project and is delayed. The impact of that part of the math on the basket 3- 6 months from now is more indicative of what's happening now, than what's happening then. There may be a leveling off, but it is not likely prices will come down. Mr. Thomas noted that would be considered the new normal. Mr. Bartholomew said if you looked out over 15 years, the average inflation is not that bad.

Mr. Blanchard asked if he had any recommendations.

He said it's appropriate to consider increasing risk profile on these accounts. The four invested at 10% equities are conservative and similar to other public entities and would still be conservative at 15-20% equities. OPEB is different. He encourages the District to discuss with Odyssey (its OPEB actuarial consultant) on how the District should be invested. Odyssey's forecasting is about future returns. Mr. Bartholomew believes a higher risk profile on OPEB is warranted. He would appreciate the opportunity to invest it differently instead of being bound by the legal list.

Mr. Beauregard thanked Ms. Newcomb and Mr. Bartholomew, who signed off from the meeting at 8:56 a.m.

Ms. Sahady noted that the District's 10% in equities in most funds may be too low. She suggested increasing it slightly to 12 – 13% and reviewing that performance. She also suggested the District could increase equities holding in OPEB. She noted we do not have unfunded liability.

Mr. Alfonse noted that OPEB can only be used to pay retiree health benefits and that the fund is more than 100% funded. He asked what the benefit of increasing returns would be since it is fully funded.

Ms. Sahady noted that the District could use it for retiree health insurance, freeing up funds for its operating budget. Mr. Alfonse said the District will do that beginning in FY 2022.

Ms. Sahady signed off from the meeting at 9:00 a.m.

Mr. Patten signed off from the meeting at 9:04 a.m.

6b. <u>Accept assignment of ABC Disposal, Inc. Waste Disposal Agreement</u>

Mr. Alfonse noted that the request was not received and said the item would be moved for discussion on the next meeting's agenda.

Mr. Gagne asked if it would appropriate for the board to meet with the company that acquired ABC Disposal before committee votes on the issue. Attorney Thomas replied by noting that the contract expires June 30, 2022.The committee could meet with them and the company that acquired Frade's

Disposal during negotiations. Mr. Gagne agreed, and noted it would be a good opportunity to have a discussion with both companies. Attorney Thomas also noted that District is waiting for information on potential tonnage limits from Geosyntec. Since contract expire on June 30th, short term contracts may be necessary.

The Committee began to discuss upcoming negotiations, then deferred further discussion to the Director's report.

6c. Director's Report

Motion by Ms. LeBlanc to receive the Director's report, second by Mr. Gagne. Roll call vote: Chairperson John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes; Daniel Patten, not present; Kelly Cabral-Mosher, yes.

Motion passed 5 – 0.

Mr. Alfonse reviewed the Director's report and summarized the list of issues to consider negotiating the new contracts with commercial haulers as of July 1st or extend existing contracts. He reviewed graphs of solid waste tonnage attached to the memo. He discussed where solid waste comes from.

Mr. Blanchard asked if data was based on information provided to the scale operator by haulers' drivers. Mr. Alfonse confirmed it was.

Attorney Thomas reviewed the reason for the formation of the District – managing solid waste from New Bedford and Dartmouth (including municipal and commercial solid waste). He summarized the importance of preserving landfill capacity for New Bedford and Dartmouth as the District moves forward.

Mr. Gagne said he considers commercial solid waste from Frade's Disposal and ABC Disposal as New Bedford and Dartmouth waste. The District should consider whether it wants to continue with certain waste from outside New Bedford and Dartmouth. He noted that the graph shows ABC delivers little commercial waste from Dartmouth, yet he sees their trucks in Dartmouth. Mr. Alfonse replied that they may deliver that waste to other disposal facilities, as the contract limits what can be delivered to the District.

Mr. Blanchard asked if the work being conducted by Geosyntec will inform the District about how much solid waste it should accept to generate the revenue it need. The District could use that information to determine what waste it accepts.

Mr. Alfonse said the companies have indicated they are interested in disposal agreements beyond June 2022 and a decision will not be made today. He said that the District's March 17 meeting with Geosyntec will inform the District about how much waste to accept. He noted that there is also a Hauler subcommittee which consists of one member, Mr. Patten.

Members discussed the March 17th meeting whether to attend remotely, in person and/or hybrid. Mr. Beauregard suggested holding off on making a decision. Attorney Thomas noted that a hybrid meeting is permissible and the remote provisions are good through April and there is legislation pending to push it to July.

Mr. Blanchard asked about the Paper Shred Day sponsor. Mr. Alfonse noted that the contact person that Marissa was working with is no longer available and she hasn't been able to connect with anyone there (New Bedford Credit Union) who is interested. Mr. Blanchard said he would reach out to the credit union credit and try to get contact information.

6d. Items which could not have been reasonably anticipated 48 hours in advance

7. Set Meeting Schedule

Mr. Alfonse said the next meeting is scheduled for March 17, 2022, at 8:00 a.m.

8. Adjourn

Chairperson Beauregard asked for a motion to adjourn. Motion Ms. LeBlanc, seconded by Mr. Blanchard. Roll call vote: Chairperson John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes; Daniel Patten, not present; Kelly Cabral-Mosher, yes.

Motion passed 6 - 0

The meeting adjourned at 9:22 a.m.

ATTACHMENTS:

4a. Draft January 13, 2022 minutes

5. Warrant reports – Warrant No. 10-22, 11-22, and 12-22

6a. Discussion of District reserves investments with representatives of Bartholomew & Co.

6b. Memo – Accept Assignment of ABC Disposal Services, Inc. Waste Disposal Agreement

6c. Memo – Director's Report

Approved by vote of District Committee on Thursday, March 17, 2022

____

Scott Alfonse, Executive Director