Minutes approved _______________

GREATER NEW BEDFORD REGIONAL REFUSE MANAGEMENT DISTRICT MEETING

Meeting Minutes
Thursday, March 18, 2021

1. Call to order.

The Greater New Bedford Regional Refuse Management District Committee held a publicly posted meeting on **Thursday, March 18, 2021 at 8:00 A.M**.

District Committee members participated remotely.

Chairperson Beauregard read the following statement: "Pursuant to Governor Baker's March 12, 2020 Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, §18, and the Governor's March 23, 2020 Order imposing strict limitations on the number of people that may gather in one place, as extended by the Governor's March 31, 2020 Order, this meeting of the Greater New Bedford Regional Refuse Management District's District Committee is open to the public, but attendees are required to socially distance. All members of the District Committee are participating remotely. Those members are Ken Blanchard, Michael Gagne, Christine LeBlanc, Daniel Patten, and John Beauregard,

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."

Chairperson Beauregard reminded members that texting and private chats on the video conference platform are not an acceptable method of remote participation. He also wanted to make sure that all members could be heard when they are speaking and if any member cannot hear another member to please let him know. Finally, he informed members that if their remote connection is lost, that they should attempt to sign back in. The time they were disconnected and the time they signed back in will be noted.

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

3. Roll call of members
   Chairperson, John Beauregard; yes
   Daniel Patten, yes
   Christine LeBlanc, yes
   Ken Blanchard, yes

Michael Gagne (not yet in attendance)

<u>Also present</u> Scott Alfonse, Executive Director; Lee Ferreira, Secretary; Attorney Matthew J. Thomas, District Counsel; Alexander Bartholomew and Michelle Newcomb, Bartholomew & Company, Inc. representatives.

4. <u>Approval of minutes – February 18, 2021.</u>
   Motion to approve the minutes of the Executive Session of the February 18, 2021 meeting made by Ms. Leblanc, seconded by Mr. Patten. Roll call vote: Chair John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne - not present; Daniel Patten, yes.

   Motion passed 4 – 0

   Motion to approve the minutes of the Open Session of the February 18, 2021 meeting made by Mr. Patten, seconded by Mr. Blanchard. Roll call vote: Chair John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne - not present; Daniel Patten, yes.

   Motion passed 4 – 0.

5. <u>Warrant Report and Ratification – Warrants dated February 12, 2021 and February 26, 2021.</u>
   Chairperson Beauregard asked for a motion to ratify warrants dated February 12, 2021 and February 26, 2021. Motion made by Mr. Patten, seconded by Ms. LeBlanc. Roll call vote: Chair John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne – not present; Daniel Patten, yes.

   Motion passed 4 - 0.

6. <u>New Business</u>
   a. Discussion of District reserves investments with representatives of Bartholomew & Co.
      Motion to discuss the status of District investments with Bartholomew & Company made by Ms. LeBlanc, seconded by Mr. Blanchard.

      Mr. Gagne signed in at 8:08 a.m.

      Chairperson Beauregard welcomed Michelle Newcomb and Alex Bartholomew. Michelle Newcomb thanked the District for its business. Mr. Bartholomew provided a status update of the investments on the Closure, Post Closure, OPEB, Trust and Reverse Funds as of February 28, 2021. He noted investments in these portfolios were comparable from account to account with OPEB having a more aggressive risk profile. The other 4 accounts are identical in terms of targets, and performance is similar in terms of equity targets and individual allocations. Mr. Bartholomew referred to the Trust Fund, as it is one of the largest accounts. He reviewed page 2 - Portfolio Allocation.

Mr. Bartholomew described pre-pandemic events, which marked the beginning of a liquidity crisis. In February and early March 2020, we started seeing volatility in the equities markets and issues in commodities markets because of OPEC. There was general market volatility.

Also in March 2020, before the pandemic spread in the US, the US Federal Reserve Bank (the Fed) cut interest rates from 1.5% to 0%. Funds that are mostly institutional assets started selling cash and locking in higher rates while they were available, which created a liquidity crisis in cash instruments. The Fed had to come into the bond market and take steps without limits to support market prices. The bottom of the markets was about the 3rd week in March 2020. The Fed supported prices in markets that were atypical steps for the Fed. That marked the inflection point in the rebound of market prices. Once institutional investors had confidence of market supply and demand, we saw strong rebound and performance through rest of 2020.

In less conservate portfolios than most of the District's investments, through June 30, 2020, there would be more flats and negatives. The most improved performance was in second half of 2020. Equities drove indices higher, although there was a bifurcation in equities market. Certain industries were better positioned to perform in a pandemic and performed better than others. Many equities did not benefit and are still trading lower in value than they were at beginning of 2020. The valuation of the markets continues to be a hot topic. Pockets of the equites market are very overvalued. There continues to be evidence of that this quarter as certain tech stocks have experienced volatility.

Some companies have a lot of value and "room to run" as we look optimistically to the post pandemic future. This continues to impact portfolios. He referred to pages 2 and 3 and reviewed the fixed income market. The biggest change across the board is that there will continue to be opportunity in corporate bonds over certificates of deposit (CDs). CDs are currently the worst opportunity on legal list in terms of fixed income. Agencies are improving and they will continue to maintain treasuries for liquidity, although the yield is not great. They will overweight common stock to targets by 20%. They are doing everything to navigate the market and interest rate environment and set ourselves up for the next 3 to 5 years.

Mr. Bartholomew referred to the Reserve fund portfolio and noted that as interest rates come down and fixed income matures, they are reinvesting in the market. Although there is reinvestment risk, returns for the fiscal year have been good. The trust funds are performing best out of conservate portfolios. It is larger and more diversified, especially on equities. He reviewed the returns on the various portfolios (excluding OPEB).

He noted that they remain pleased with how equities have offset interest rate risk and discussed this point. The 10-year is the benchmark most commonly followed. In April 2020, the 10-year rate bottomed out .38%, which is the lowest point ever. As we come out of pandemic restrictions, the 10-year should be around 1.2% or 1.3%. The reason we have seen spike in rates in last 30 – 45 days is due to fears of inflation. He described details of the recent Fed meeting and noted that the Fed reaffirmed their intent to keep overnight lending rate at 0% through 2023.

Mr. Bartholomew described the stimulus funds that has been pumped into the market by the Fed and congress. If the economy does not get on track, this will have been a temporary fix. But there are positive signs in the market. Unlike post 2008, we are looking at 0% interest rate environment for 5 to 7 years. Six months ago, a 5-year corporate bond was .8 to .9%, now it is 1 to 1.5%.

Staying diversified is important, but the best opportunity now is in corporate bonds and government agencies. He noted that although interest rates are low, the volume of mortgage refinances and people moving from urban to rural areas and buying homes for first time has pushed home prices up and maximized the capacity of government mortgage issuers to be engaged in those mortgages. In the 4th quarter of last year, mortgage rates started to increase. Bondholders to the mortgage agencies are paying higher rates on their newly issued debt – over and above treasury bonds. This represents some opportunity in government securities. He repeated his opinion that CDs are a different story and do not represent a good opportunity.

Equities continue to represent a higher cash flow. Corporate bonds are the second most attractive option. Treasuries are near zero but helps buffer the risk vs. corporate bonds. He described one of the legal list bond funds recently added and warned about the concern over inflation. Healthy inflation is OK, but high inflation is bad, especially for fixed income portfolios. Mr. Bartholomew believes corporate bonds are a good hedge against inflation, but still believes the best hedge against inflation and interest rate risk is common stock. As we look at year to date performance, the 1 to 5 year is down. Equities have helped the performance.

Longer term performance shows returns since inception that are competitive with short term fixed income and inflation. Going forward, if inflation hits 2.5% (which is healthy from the Fed and investor perspective), the 5-year Treasury is at .85%, and corporate bonds are at 1.5%, a fixed income portfolio can keep pace with inflation by adding equities. He described the importance of maintaining a good balance of equities in the portfolio. The biggest risk to portfolios going forward is increased interest rates and inflation. Equities and diversification on fixed income side are key.

Mr. Bartholomew referred to the OPEB trust. He noted that the higher equities holding in this account is resulting in higher cash flow and they continue to look for buying opportunities. The trust is up 7% fiscal year to date, and most of the returns are on the equities side. He noted again that fixed income since the beginning of August has done very little. Most of the equities in these portfolios are not leaders in returns, with the exception of Eli Lilly and Rockwell Automation, and some have performed poorly, including utilities. Most of the positive performance came in the last half of 2020. Mr. Bartholomew moved onto the fixed income portion of the portfolio. This portion is mostly invested in corporate bonds and “bar belled” with securities. The long-term performance is up over 8% for the last year.

Mr. Bartholomew noted that last year, in spite of the pandemic, the District outperformed 2018. Prior to the pandemic, the economy was strong. Most layoffs were not salaried employees. Some companies saw revenues grow significantly. Those with the means pushed the market higher and the stimulus also provided a boost.

Mr. Patten noted in 2020, certain stocks increased significantly, and Mr. Bartholomew agreed.

Mr. Bartholomew discussed what returns may have looked like if the pandemic had not happened and described events that he believes affected this.

Attorney Thomas asked Mr. Bartholomew his thoughts about what might happen moving forward. Mr. Bartholomew said they would monitor interest rates. The Fed reaffirmed they are intent on keeping the overnight rate at 0% through 2023, which will provide some forward guidance. If the vaccine brings the population closer to heard immunity, unemployment goes down, and companies that have been harmed generate more revenue, there will likely be positive performance. If that means a higher yield curve, then there will be price pressure on conservative portfolios. There will be less concern over interest rate risk because there will be cash flow available to take advantage of it. Over short term, there will be pressure on current investments. But as we look forward there will be opportunity to increase return expectations by reinvesting into higher rate markets.

Mr. Patten noted last year, Bartholomew suggested the District expand the equities list and sent a list of different items in different categories. He asked if Mr. Bartholomew had recommendations on changes in asset allocation.

Mr. Bartholomew responded that moving the 10% target to 15% to 25% is reasonable. Fixed income at 80% to 90% is still very conservative. Increasing equity exposure will have a material impact over next 3 to 5 years for both cash flow and total return. He supports increasing the risk profile in the more conservative accounts.

For the OPEB trust, Mr. Bartholomew noted he is not a fan of legal list and would prefer to have more investments available to them. He said that although the portfolio was up 4.6% last year, it could have been up 12 to 13%. If the District prefers to stay invested in the legal list, he has concern about the concentration of risk on equities side. He is not concerned about 40% equities, but more concerned about the equities themselves. He questioned whether the District is upholding its fiduciary responsibilities to the beneficiates of the trust if it is intentionally restricting investments to a list which is not frequently updated.

Mr. Patten responded that we could follow his recommendation and see 12% returns. But when we have a down year and we lose 15%, it will be that drop which defines our approach. Mr. Patten believes we should remain conservative, and we have a reason for our policy.

Attorney Thomas noted the purpose of the trust. The trust is funded at over 100% and all we can spend it on is OPEB. It is more of a prudent financial move to stick to a conservate approach, since the primary concern is that the trust be available to fund employee benefits.

Mr. Bartholomew noted the need to look at the time horizon as to how long the OPEB trust will be needed. He explained he has less concern about the percentages of asset allocation and is more concerned of the makeup of the asset classes. He supports reducing concentration risk.

Attorney Thomas suggested the District share the Odyssey (actuarial advisors) report with Bartholomew.

Mr. Bartholomew described his call with the new Chief Director of Credit Unions, who expressed interest in doing positive things with legal list. But they have a legislative mandate. Mr. Bartholomew feels Chief Director of Credit Unions is not likely to do anything to benefit municipal assets if it does not benefit credit unions.

Mr. Patten noted that last year the District asked for a sample portfolio from Bartholomew. He also asked if they put OPEB in mutual funds. Mr. Bartholomew explained they do and asked what type of portfolio we were looking for. Most others are invested in mutual funds, which is what Mr. Patten is looking for. Mr. Bartholomew said they would forward it.

Michelle noted a posting issue in the accounting report that will be corrected in the next report. Michelle also noted that the accounts are reconciled to the monthly custodial statement. There is slight variance in balance in custodial statement vs. performance reports reviewed today, which is a result of calculations in dividends and income being paid out. The custodial statement is the official record.

Chairperson Beauregard thanked representatives from Bartholomew

Representatives Michelle Newcomb and Alex Bartholomew signed off at 9:08 a.m.

Motion to receive it and place it on file made by Mr. Patten, seconded by Ms. LeBlanc. Roll call vote: Chair John Beauregard, yes; Daniel Patten, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes.

Motion passed 5 – 0.

b. Discussion of Compensation Study.
Chairperson Beauregard asked for a motion to discuss conducting a compensation study. Motion made by Mr. Patten, seconded by Mr. Blanchard. Roll call vote: Chair John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes.

Motion passed 5 – 0.

Mr. Alfonse discussed the Compensation Study memo. Mr. Alfonse noted that the cost of the study does not meet the threshold which would require Committee approval before proceeding. He did want to bring it to the Committee's attention, since the financial impact is not necessarily limited to the cost of the study, but also implementation of recommendations.

There was general consensus to move forward with the study. Mr. Gagne noted the difference between the District and other employers is that specialty nature of the District's workforce. He believes it is critical to keep the data every three to four years with updates.

Mr. Beauregard noted that there was prior discussion about where the management team is going to be in the next few years and that this study could be very helpful.

No vote required. Board agreed to proceed with recommendation.

c. Request from Town of Tisbury.
Chairperson Beauregard asked for a motion to discuss the request from the Town of Tisbury. Motion made by Mr. Patten, seconded by Ms. LeBlanc. Roll call vote: Chair John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes; Daniel Patten, yes.

Motion passed 5 – 0.

Mr. Alfonse reviewed the memo and provided a brief negotiating history with the Town of Tisbury. He noted that the current contract expires on October 31, 2022. Mr. Alfonse questioned whether the District would need this revenue long term and suggested not renewing the contract.

Mr. Beauregard questioned if Mr. Alfonse's intent were to end the contract all together. Mr. Alfonse noted that there is local demand for solid waste capacity if the District found it needed to fill capacity and realize revenue. He showed concern with the optics of solid waste that is delivered from outside of New Bedford and Dartmouth.

Ms. LeBlanc questioned if there was a significant price difference between Tisbury and local haulers tipping fees. Mr. Alfonse noted that he was not in favor of long-term contracts due to volatility of the market. This was a 10-year contract and Tisbury current tip fee is $66 per ton. The District is better off with shorter term contracts to be better informed about the market. Ms. LeBlanc agreed.

Mr. Beauregard noted that the District is comfortable with making the decision of ending the contract; however, he noted that Tisbury should be notified as soon as possible. Mr. Alfonse noted that the contract ends on October 31, 2022.

Mr. Patten noted the benefit of municipal customers vs. commercial customers.

Mr. Gagne asked if more capacity would be available for Dartmouth and New Bedford if the waste was not accepted. Mr. Alfonse replied more would be available unless the District sought to fill the void with waste from other customers. He referred to the graph showing the Total Solid Waste by Customer 2018 – 2020 showing each haulers' tonnages for those years.

Mr. Patten noted that our long-range planning study will look at the District's long term cash flow needs to sustain the District.

Mr. Alfonse noted that COVID-19 pandemic increased residential solid waste for the year 2019-2020.

Mr. Beauregard noted the District should consider limiting solid waste to amounts lower than a member community. Ms. LeBlanc also noted that the price per ton would need to be increased because it is currently below current market value.

Mr. Patten reminded the Committee that revenue from customers is what keeps New Bedford and Dartmouth rates low.

Mr. Blanchard noted that a commercial hauler's tonnage will soon start to increase shortly after the pandemic is over and local communities will decrease.

Mr. Alfonse noted that the District will be better informed by the long-range study. He noted that capacity should be reserved for local demand.

Mr. Beauregard asked if the Town of Freetown has indicated if it would be interested increasing their capacity. Mr. Alfonse replied their contract allows them to deliver residential solid waste generated from residents of Freetown and it does not fluctuate much.

Mr. Blanchard questioned if the town of Fairhaven has shown interest in participating. Mr. Alfonse replied that there have been conversations in the past with other surrounding communities but at the time the District was not looking for any additional capacity.

Mr. Patten questioned if a hauler's limit for the year of 2021 was 30,000 tons or was it lower. Mr. Alfonse replied that it was 29,000 tons a year. Mr. Patten explained the idea that the District time the importance of providing landfill capacity for New Bedford and Dartmouth at least until both have fully funded their pension liabilities.

After further discussion, the board agreed to wait for the long-range study to be completed to make any further decision on the Tisbury contract.

d. Director's Report
Chairperson Beauregard asked for motion to receive the Director's report. Motion made by Ms. LeBlanc, seconded by Mr. Patten. Roll call vote: Chair John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes; Daniel Patten, yes.

Motion passed 5 – 0.

Mr. Alfonse reviewed the Director's Report. He noted the media inquiry by the Standard-Times reporter which resulted from recommendations regarding reducing solid waste in New Bedford which were contained in the City's resiliency plan.

He also noted the health insurance increase of 2.25% for FY 2022. Mr. Gagne questioned if the District had obtained a quote from MIIA on health insurance. Mr. Alfonse noted that it has not but would make an inquiry.

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

7. Set Date for Next Meting
   Next meeting is scheduled for Thursday, April 15, 2021 at 8:00 a.m.

8. Adjourn.
   Motion to adjourn made by Ms. LeBlanc, seconded by Mr. Blanchard. Roll call vote: Chair John Beauregard, yes; Christine LeBlanc, yes; Ken Blanchard, yes; Michael Gagne, yes; Daniel Patten, yes.

   Motion passed 5 - 0.

   Meeting adjourned at 9:40 a.m. on March 18, 2021.

MEMO

6a.	Investments of Reserves & Trusts dated 3/12/2021
6b.	Discussion of Compensation Study dated 3/12/2021
6c.	Request from Town of Tisbury dated 3/12/2021
6d.	Director's Report dated 3/12/2021

Approved by vote of District Committee on ___________________

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Scott Alfonse, Executive Director