

## **New Hope Borough**

**January 4, 2021**

### **Council Workshop**

#### **Minutes**

Council President Gering called the meeting to order at 4:00 PM.

Present: Council Members, Connie Gering, Tina Rettig, Laurie McHugh, Ken Maisel, Louise Feder, Peter Meyer. Also present were Borough Solicitor David Truelove, Chief Cummings, Treasurer Christina Szabo and Borough Manager Peter Gray.

Ms. Gering – Alright, Pete. I guess we can get them to start the presentation do you have to unmute them? Mr. Gray – Certainly. So, today we have representing the Stiffel Nicholas and Company for the Police Pension, will be Mr. JB Farina and David Farina.

Mr. JB Farina – I think I'm on. Hello everybody. JB Farina from Stifel. My Father is on in the other office. It looks like he has to turn on his camera and unmute. But, I'm prepared to get started, whenever you guys are ready.

Ms. Gering – Go ahead. Mr. JB Farina – OK! I have, as Peter requested, we sent over a detailed report over to you guys and I hope that you have that information in front of you. Peter asked me to keep this very brief and we're going to honor that and then, happy to answer any questions and do anything additionally that you would request of us. The report that we gave you is actually as of December 18<sup>th</sup> and that was done to get something in front of you. But I also do have the total year end numbers that I can report to you, as well, as of December 31. And only slightly different, because it's been about a week and a half, between the end of the report and the end of the year, but I'm happy to quickly go through this information for you and answer any questions you may have. I'm going to start right on page 1 of the report. Here it lists all of our institutional accounts. And for those of you who have been around, this is a review for you. But we have our institutional accounts are directed toward large cap growth, large cap value, small cap international and bonds. And if you were to just scroll up to that top page, that shows you all of our allocation, where everything is at the moment, between the individual accounts and then, that last line you can see \$50,000 in cash \$50,011. When you look at the column that says total value, as of December 18<sup>th</sup>, the total account value is \$3,129,283. Since the report, now, the account values are slightly higher and I will give you that information. It is, as of December 31, we closed out the year at \$3,139,366. So we had a few payouts that went out, but we also saw the account increase in value and that's where we landed at the end of the year. The next page will show you our asset allocation. So, Peter if you want to scroll to that page. Right there. So, you can see at the box at the top right it shows us of the 3.13 million, how everything is broken out. So, right at the top line the total liquid funds in cash, we have about 3.3% in cash that is available for payouts and distribution. The second gray box shows our equity. How much is in stock. We're currently just shy of 55%. About 45% is domestic, here in the U.S. With about 11% allocation internationally. We do have the ability to put more money to international, but the U.S. markets have been the clear leader the last several years and we're going to continue to over allocate to domestic. Within your investment policy statement, we can go as high as 15 and, I believe, even as high as 20% international we have no desire to do that, at the moment. That could change in the future, but as you could see where we are, we are managing about 11% international. Let me just also say, that part of that multinational corporations, that are based in the U.S. kind of get categorized as international, as well. So we have a very modest exposure to the international market. And then, finally, a little shy of 42% in bonds in fixed income. So, you can see we have a very balance allocation. I will tell you that through most of the year we were at our top end of our allocation according to the investment policy statement. And what I mean by that is this, according to the investment policy statement, we can go as high as 60% equity within the account. For the majority of the year, that's where we were. We were full-tilt being as growth oriented as we possibly could, according to the investment policy statement. Because we felt that the markets were undervalued, we felt there

were growth opportunities and so we were about 60% through the year. Through the last couple months, in preparation of the election, we started to pull back on some of our profits and pull back on our allocation. So, we went from 60% down to about 52% equity. And, now (something) at about 55% equity. So that gives you an idea as where our current allocation is. You can scroll to the next page, Peter, and I'm happy to answer any questions along the way, if anybody wants to stop me, Peter, or whatever you want to do. This next page, here, I want to direct you towards the blue box at the bottom left hand corner. It's called an "Equity Style Box." This shows you, now within the 55% equity that we have, how much is in large-cap, how much is in mid-cap, how much is in small, how much is in value, how much is in core and how much is in growth. As you can see, we really over allocated or over-rated large-cap growth. The reason why we did that, and we've been that way for several years now, is we found that late in both cycles, large-cap growth tends to outpace the rest of the market. We knew that that would happen, but to be quite frank with you, we didn't realize the disparity that would take place. Growth stocks were up tremendously in 2020, while value stocks were only up about 1 or 2%. And I'll show you the performance on the next page, but the over allocation or over weight to large-cap growth paid off for us tremendously. Now, going forward into a new administration and a new year, we may start to see that cycle change and we will be proactive in making adjustments, but at the moment, we are continuing to be over allocated to large-cap growth until we start to see that trend shift and then we will begin to allocate back into value. And then, at the right side of your screen, the green box – "fixed income style" box, you can see there that our allocation is really to short-term, high quality bonds, the credit quality you see. 46% is in short duration, which is five years or less, but averaging around seven years and we're in high quality bonds, so we're certainly not going out and taking risks where we don't want to take risk. The next page? Now this is performance. How did we do? How did the year shape up? I put last year's number there, just so you could see it. Last year, we performed 17.75% for the year in 2019. The Dow Jones did about 22% and the S&P500 did about just shy of 29. Now, obviously, you know those are all equity indexes and we run a much more modest allocation. Our target is really 50/50, with the ability to go up to 60%. So, last year we were really very proud of the year that we had, while being a modest or moderate allocation. This year, we're extremely proud of where we stand. The S&P500 through everything that transpired, through a global pandemic, through a presidential a lot of upheaval, especially early in the year, regarding the political environment, a lot of social unrest, all in all, the market had a pretty good year. Where we stand, is we performed about 11.3% - 11.33, while the Dow Jones did about 5.75% and the S&P500 did 14.8. So, remember, we're taking less risk than the market. We're about 55% equity, and yet, we soundly beat the Dow Jones Industrial average, which is an all equity index and we were modestly trailing the S&P500. Again, which is an all equity index. So, we feel very comfortable with how we finished the year. We feel, as of this moment, that our allocation will remain at about 55% equity. We wanted to get through this Georgia Senate race before we bumped it back to 60%. We do feel that the market is undervalued and we are anticipating another good year next year. But there is some short term volatility at the moment. I anticipate that we'll get back at 60% equity, but we wanted to wait until after some of the election volatility, including the Georgia Senate race. The market was down about 5-600 points today, in anticipation of the results of that race. So, we're going to let that cool off and then we'll start to allocate back into the market, again. I promised Peter that I would be very brief, but I'm happy to answer any questions. My father is here, as well. We do feel that the market is coming out of the pandemic issues. Vaccines are being distributed. People are going to go back to work. We feel that the economy is going to improve and we are expecting, the economist that we follow, are expecting the market to do about 12-15% in 2021. Again we do feel comfortable. We are probably going to get back to that 60% equity weighting, but we're going to wait for some of the election volatility to calm down. I'm happy to answer any questions, Peter. Whatever we can do for you. I tried to be as brief as possible and we're here to help any way we can.

Mr. Maisel – Hey Pete, this is Ken. I have a question. Can I be heard. Ms. Gering – Yes, go ahead Ken Mr. Maisel – I think you did a nice job, here, and it certainly didn't hurt that you had a good market, but you did a really nice job and a very nice presentation. The question that I have for you is, the significant underweighting – and this is just a minor point, and I know you have a logic behind it—in the small-cap area. Obviously, it's by design, because it only represents 2%-2.5% of the entire portfolio. Do you have an explanation for that, as to why there isn't a little bit

more of a heavy of a weighting in the small-caps? Mr. JB Farina – Our weighting and our over emphasis own overweight is to large-cap growth. If I were to show you what large-cap did vs. small-cap, it would be...tell you what, let me get the numbers for you... Mr. Maisel – No, I'm very familiar. I think we all are of the Amazons of the world and the Googles and the large-cap growth. I'm just saying there are some people's thinking, and I don't want to play hunches. You guys are the professionals, but there is a portion of the investing community that believe that small-caps, that there's a place for small-caps. Mr. JB Farina – No question. We are definitely underweighted with our small-caps management. I'll give you the numbers, as to the reason why. So, in 2020, under large-cap growth management did 33.5%, the small-cap manager did about 9.5%. So, I agree with you. As we head into a new year and a new market cycle, there may be reason to look into small-caps. But at the moment, large-cap growth continues to be the real driving engine. You know, we're not opposed...and I'm, again, because of the flexibility that we have, I think value may come back into play, especially in a new administration, value will come back into play. And so, over the last couple months, we've started to do just a little modest investment towards that way. And there's no doubt or no question, I agree with you, small-caps do have their place. We have just been a little bit more delayed in our interaction, there. Number one, this is a pension account, where we have to manage our risk. Small-caps do tend to carry a little bit more risk. But, we're waiting for the opportunity. It's beginning to happen, but large-cap growth, specifically, still continues to be the answer. Mr. Maisel – Ok. Thank you.

Mr. David Farina – There is one other area in regards to that and that is the volatility that comes with the small-cap market. And, because we are managing a pension, as JD said, what we're doing our best to do is minimize the amount volatility. The other reason is that, you will note that small-caps will run and be extra attractive late in market cycles. Last year, you saw that the large-cap did so well, the small-cap didn't do anywhere near as well, that's because in that timing in 2019, we still had a strong market cycle in front of us. And we are of the opinion that we still believe there still is still another strong market cycle in front of us. So, we'll weight into small-caps, but we want to do it when we feel the volatility is not as much risk, as it would be, especially for a pension plan. Ms. Gering – Any other questions?

Mr. Meyer – Alright, I've unmuted myself. Just one question. How are you doing your adjusted cost basis? I was looking at the notes at the end, earlier, and I never did quite figure out how you playing with your adjusted cost basis. I'm talking about page one. Mr. JB Farina – So, from a tax perspective, obviously, this being a tax-free plan, you know cost basis isn't a focus, however to answer your question, this is looking at our original investment into the institutional management, as well as the subsequent investments that we've made. I'm not a tax expert. I'm trying to get the maximum performance that we can. But that's my understanding. Obviously, with reinvested dividends and interest, that all plays a role into it, as well. Mr. Meyer – Thank you. Ms. Gering – Any other questions?

Is there anyone from the Public, Pete, that has a question? Mr. Gray – No hands raised at this time. Ms. Gering – Since there's no questions, thank you so much.

Ms. Gering – Well, hello, Tina! Welcome onboard! Well, that was very nicely done. We don't have much on the agenda, here. So the other things since the beginning of the year, I was going to address how this Council operates. And it has to do with the way we set up committees. As you all know, we do have set committees that Council is liaisons to, you know, with Parks and Rec, Zoning and so forth. Then we do have a Finance Committee that is a set committee, also. And then we have the Parking Committee that was started as an ad hoc committee five years ago, but it has, I think now, it has become, basically, a permanent committee. And then the way we operate, is we started ad hoc committee for different topics. For example, Ken and Louis and JoAnn Connell are working with the HARB guidelines and what we can do to simplify the process for our applicants, is one of the ad hoc committees. We also, in the past have had the WAWA committee, and now, Laurie and Ken have been very nice to volunteer to redo our sign and kind of spiff it up. So this is how we've always worked and I know there's Council members that sometimes feel that they don't know what's going on and what's being discussed in these

committees. Well, part of it is, it is just a discussion. It never comes to a vote. One of the examples that I'm going to use is the (?) committee. That ran for two to three years. We met numerous times and at the end, nothing happened. So, there was really nothing for it to be, you know, voted on. There was no decision making, from Council. So, that's why sometimes everyone on Council will not know everything's going on in those committees, the things that are being discussed, unless it needs to come to a vote. And the reason we can only have three Council members on any of these committees is because of the Sunshine Laws. So, that's why I thought this was a good time to address that, because I know there's been some questions about people not knowing what's going on. Today I did shoot everybody an email because we had a meeting and if anything like that transpires in the future I will do it on an "as needed" basis. It won't be a regular thing. That's what I had. Does anyone have any questions or comments on that? I'd like to hear it. Ms. Feder – Sure, I do. I wonder if, just because I'm closing out my first year on Council, and most of it's been on Zoom. So, I know it's a different kind of year. But I'm wondering if it's possible to have like we do at the regular Council meeting, just an update on what's been going on in the committee meetings, even if there's nothing to report, I think it may be helpful just as a summary of what's been happening. Maybe that's something we can do at the Work Session, so we can just have a conversation about some of the things that are happening in other committees. Otherwise, I'm a little... I completely appreciate the way that this has been working and, obviously, it's been working this way for a while, but I think, especially since we've been remote for a while and likely still will be for several more months, so we don't accidentally get siloed when certain conversations are happening over here and not, being communicated to other members of Council. Even if it's just a light update (?) like what we've been talking about here (?) the committee's been working on, that would be great. Ms. Gering – I'm going to respond to that. And there's a little hiccup there. We have discussions and the reason there's three people is so we can have an open discussion. If you take every discussion that's there and you bring it to a public meeting, then it becomes what is really going on? When really, in reality, it's just the discussion. There's no actions taken. There's no vote. And some of these things never transpire to anything and the Wawa is a beautiful example. We spent all that time meeting, so to come to a public meeting and have it on record, that this is what was going on and, in reality, it's not going to happen. There was no decision making, there was no votes taken. It was just a discussion, is what it was. I'd like to hear from other Council members if they feel they'd like to have whatever those discussion was in every committee to come to a work session. Ms. Feder – I'm not asking for a play by play of what's going on in the committees. I think I'm just curious about a summary of the things that are being discussed, that's all. Mr. Meyer – Look, if I could just talk about the Wawa committee, which I chaired. We met with them, I don't know how many times, for me to say that I'm annoyed at how many times I had to meet with them, when nothing ever came of them is putting it mildly. The last thing I would have wanted to do was, quite literally, waste Council's time to telling them "We're meeting with them," "They're showing us plans," "They telling us what they don't like about the plans...." They're may be coming back to us, then they're not coming back to us.... I mean, the reason the Wawa went nowhere has nothing to do with us and we know why it didn't go anywhere, but that's not the issue. The issue is there is nothing to say. Mr. Maisel – Peter, I hear what you're saying. I think what Louise is getting at is that it was something that Council was, just using the Wawa as an example, not for any other reason. But since the Council was heavily involved with the negotiation, along with Solebury and the attorneys and everything. It was a topic of conversation. It was a real highlight for a lot of people. Are we going to have this Wawa or are we not? So, it's perfectly understandable, that we're going to have people asking me or Louise or anybody on Council, "what's going on at Wawa." So, I think what she's saying and I'm not sure, I haven't colluded with her or this, but I think what she's saying is something similar to what we do at the Council meetings where it says, is there any HARB report? Is there any Planning Commission report? And just briefly say, hey listen, you know it we're still talking to Wawa. It's a lengthy process, and whatever it is, so that it's a prompt for that person to, after the meeting, maybe go to you and say, "Hey listen, can you fill me in a little bit more on what's going on at the Wawa from 30,000 feet." I think that's what she's driving at. I don't know if that.... you can confirm that or not. Ms. Feder – That's well said and I think the really, the only reason I'm asking about it, now, is because when we were meeting in person and we had the work sessions, there was a wonderful presentation by the Parking Committee and it was very helpful, because, of course, we're not all on the Parking Committee and it was great to

hear what was being worked on and things that they were working towards and I completely agree with you. Of course there's going to be nitty-gritty that doesn't need to be rehashed at a Council meeting. But, yes, a summary what's going on and things we're working towards would be really helpful. Mr. Maisel – I think, again, just trying to not make it too onerous. I understand your point, Connie, about wanting to air-out the specifics, we could go on forever. But if there was something going on during the workshop, would be a good opportunity. Is there anything going on at HARB. Is there anything going on Planning Commission that we need....just like we would have done at a Council meeting. So at least we get an airing out and a triggering of questions to that individual after the fact by Council people or even the public, for that matter. Twice a month, instead of once a month. (all talking ) Ms. Gering – I'm sorry, one at a time, please. Is that Tina? Ms. Rettig – I just feel like, for the most part, I feel like we do get updates. This is what's happening, this is what's happening. I grant you that, during this time that we've been on Zoom, maybe some things have fallen, because it is more difficult. We're not seeing each other, we're not there to talk to each other in person. I have to say that, yeah, while there are things that I did not know about, it's my feeling for me, personally, that they've been maybe detailed. Again, like for instance, Wawa. We've known what's been going on. But I don't know the details, completely. Frankly, if I needed to know everything that was going on, this would be my full-time, 24 hours a day / seven days a week job. So, I just have to say, I feel like we've done a decent job of making sure that people know what's going on. And have things fallen through the cracks? Yes, but I don't think that it was anybody keeping secrets or on purpose. I think it was just that's, unfortunately, what's happening right now with the pandemic going on and doing Zoom meetings. That's just my take on it. Ms. Gering – Laurie? Ms. McHugh – Tina, I agree with you and that's, basically, what I was going to say. And, remember, the workshops were set up for this reason. So, that when we get up on the dais for a Council meeting, we've already discussed this. We've already talked to the committees. And the idea of the workshop is that's where the committee comes and presents and decides, does this go further. The idea of a committee is really just research. They go out, they do the research the problem, they come back to committee and bring it. So when you interject in that research part, before it comes to the workshop, you're really just, you're delaying the process, you're adding bulk to something that doesn't need to. I trust all of my Council members and, if I ever have a question, I know I can reach out the them and say – Hey, what's going on with this? I don't think we need to add any more process to this. And, as Tina said, this isn't our full-time job. I want to make the most value out of the time that I give. Again, we are losing a lot by not meeting in person. Those workshops were where we could touch base and spur the conversations. So, because of this COVID year, we're going to have to give it a pass. Things are going to fall through the cracks, maybe. But I think how we have it set up is perfect and, just because we have a bleep in here because of COVID...I have no problem, by the way, meeting in the Community Room on Mondays. I think there's enough space. I don't think it's as productive on a Zoom meeting, but I have no problem reconvening our workshops on the first of the month—the first Monday of the month. Ms. Feder – Connie, can I chime in? I don't want to be misinterpreted. I guess what I'm saying is not a criticism of the process we have set up, I think it's just using the process that we do have. And I think, if we're planning on meeting virtually for some time and if the process was set up for committees to be reporting back, exactly what Tina and Laurie have been talking about in a workshop session, then I guess just looking ahead to another year, where we're looking at more COVID. Unfortunately, I think we're having a workshop session right now, it would be very helpful if, perhaps to continue to have workshop sessions, just like this and we can have those reports from the committees. That would be extremely helpful. Ms. Gering – Anyone else. This is a topic for discussion. Listen, I'm on the fence with this, because I know we have committees, for example, and we have discussions, but there's nothing there to even be brought to Council to be discussed. And, part of it is, for us to open up what we're having in discussion and put it publicly, when nothing is happening it's going to be construed as something is happening. So, that's the other flip-side of that. Ms. Feder – I'm not asking for that. You were asking just for feedback on the committees. So, this is the feedback is that, currently, I think we're just not getting regular reports from the committees because of the COVID year. That's fine. I'm not asking for nitty-gritty Wawa stuff. I'm not asking to interrupt the process of the committee, but I think, if a committee has news to report, it would be nice to have regular reports from those committees. That's all. I think, because we aren't looking at a change, unfortunately unless we all get vaccinated tomorrow, we're not looking at a change in the way these meetings are

being conducted. So I understand everybody wishes they could be there, in person, but we're not looking at that for a while. And, since we're not, I think, going into the new year, just because this has been the practice of Council, I would be great to hear from the committees if there is news. If there's no news, obviously, I'm not saying please rehash every minute of every second of interaction on fill-in-the-blank committee. But if there is something coming up, if there's news, it would be really great to hear about it. That's all. Ms. McHugh – I think we're already doing that, right? Mr. Meyer – I'm perfectly willing to report when I have news. And I think that that holds true for anyone else who is Chairing a committee. The question is, do we need to go through the process that we go through at our meetings every month, when Connie calls on each of us to talk about what we have and half of us say no news. I don't see that's going to make any difference if we do that again in a workshop. If we want to do it in a workshop until we can start meeting together again, fine, but I don't see that it accomplishes anything. And I guess that's my problem. Ms. Gering – In light of this, I understand Louise's position and Ken's. I think for the next couple months, when we do have a work session, those of us who have ad hoc committees, the regular committees are pretty well set, they report at the Council meetings. But the ad hoc committees, it would be a good time to kind of update to update if they're doing anything, when we have a work session. Does that sound like a good solution to everybody? Mr. Maisel – I do. I do, Connie. And even just to try it out. And it doesn't have to be onerous, where somebody has to prepare for a day. I think it's simply just saying, you know, we're continue to meet on the so-in-so project and then, it's up to me and it's up to Louise and it's up to Tina if they want to do a deeper dive. It raises my conciseness. That's what it would do for me. I'm being selfish about it. It would raise my conciseness. You know what? I'm going to call Peter. He's working on this committee and I really am oblivious as to what's going on. It's up to me, at that point to deal with it. When I might just be going through the motions and I don't even know there's this committee that exists. Then shame on me. And that's the way it works. Ms. Gering – That's a fair request. So start moving forward, at the work session the ad hoc committee will start, if they have a report, they'll give a report or a one or two, whatever. And we'll do that for the next couple months, since we're not meeting in person. And let's see how it works. Does that sound like a fair solution to everybody? OK! Alright! I think we got that one. This is why we miss having workshops, we can have open discussions like this, folks. Ms. McHugh – I miss our workshops, a lot! In person! Ms. Gering – This Council has always worked well as a team and we'd like to continue doing that as the New Year is out. This is what we need to. You know, we'll give it a try and see where we go. Any other discussion or questions? That was the only other thing we have on the agenda. Mr. Gray – No Ms. Gering – Any questions from the Public, Pete? Mr. Gray – we do have one hand raised, Mr. Duffy. Ms. Gering – Happy New Year, Mr. Duffy. Mr. Duffy – Happy New Year, everyone! Lot of success this year. It's a challenge. I was wondering what's new with the parking situation. Since we've gotten this money and is there an update? Are you planning to do a presentation at the Council meeting? There was no mention of it, at all, amongst you. Ms. Gering – Well, I'll tell you why. Mr. Meyer – Oh, Connie...let me do it. Ms. Gering – Oh, go ahead! Mr. Meyer – Alright, Ed, as you know we got 1.75 million from the State. The way in which these State applications go, you have to apply and indicate what you think you're going to use the money for and what the project's going to be and everything else under the sun. We don't know, yet. Now, that 1.75 million, let me make it very clear is probably 20-25% of the funds that we need to actually build the garage. Right now, that parking garage ad hoc garage committee is dealing something having to do with how the new structure to procedures to get the funds. One of the obvious things is, we could conceivably go to the bond market but there's other kinds of options. All of this is something that still needs to play out. That's the kind of thing we have to deal with right now. We don't know yet, exactly how many parking spaces. We don't know exactly how tall. We don't know how many stories it's going to be. We had to give a set of numbers to the State, so they can get a sense of the scale of the project. That's what we've done. That's what you've seen the various coverage about. Because we don't know how big it's going to be, we also don't know its footprint. We also, therefore, do not know its exact location. And that is all part of what's going on and that's part of why we have the uncertainty that we have. As that narrows down, which it will, there'll be more and more reports. Mr. Duffy – That's great. And don't feel like it should be just a, yeah, absolutely. The other thing is, because of the discussion with Louise, I got a Wawa update. You know I had to, over the months, I had to ask you what's going on there, rather than, like Louise said, sharing what's going in with the committee. Mr. Meyer – the Wawa situation is, as

far as I can tell, dead as a doornail. Part of the reason being, that the people that were meeting with us, who have done development for Wawa in the past, turned out to be meeting with us under false pretenses. Claiming to represent Wawa, which they were not. End of story. Mr. Duffy – Woah! And you guys did all that work for them, too, right? Anyway, thank you very much! That’s what I had. Ms. Gering – Thank you, Ed. Any other questions, Pete? Mr. Duffy – Have a good year. Mr. Gray – Besides Mr. Duffy, there are no other hands raised at this time. Ms. McHugh – Hey, Pete, is there other members out there, though, that haven’t raised their hand? Mr. Gray – There are three other members of the Public, yes. Ms. McHugh – I just wanted to say, to our members of the Public, don’t forget to shop local. Remember our shops, remember our restaurants. We’re going into the slow season. It’s been a hell of a year for them to start out with, so please, Shop Local and spread the word! Ms. Gering – Thank you, Laurie. Any other from Council? Alright, can I have a motion to adjourn? Ms. McHugh – I’ll make that motion. Ms. Gering – Can I have a second. Ms. Rettig – I second it. Ms. Gering – Ok. Meeting is adjourned. See you at the Council meeting. Stay safe out there. – Bye everybody!--