

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

APRIL 21, 2008 3:00 p.m.

PRESENT: Robert (Vic) Lessard, Chairman
Ted Atwood
Warren J. Mackensen, Bookkeeper
David Hamilton, Clerk
John O'Dowd, TD Banknorth Wealth Management Group

ABSENT: John J. Kelley, Sr.

The meeting was called to order at 3:04 p.m. by Chairman Lessard.

Real Estate Trust Fund:

Chairman Lessard asked Mr. O'Dowd to provide an update on the Real Estate Trust Fund.

Mr. O'Dowd provided an economic outlook prepared by TD Banknorth Wealth Management Group. The outlook pointed out that the current sub-prime mortgage issues are not just a U.S. problem. The shock waves are rippling throughout the world because of the interdependencies in the financial markets.

The effects of the recent Federal Reserve rate cuts, the forthcoming economic stimulus package and the national election outcomes will appear in the fourth quarter of 2008. The write-downs that have been announced almost daily in the news are about half completed. Over \$210 billion of write-downs have been announced, and another \$200 billion of write-downs remain expected. Exports have increased 17% and the devalued dollar has provided growth. Corporate inventories are low, so that has helped. The slowing of the growth rate in China and India will have an effect on the world-wide economy. More rate cuts are likely to occur. Inflation is not expected to be much of a problem, but there may be a commodity bubble occurring due to the run-up in commodities. The markets and consumer products are also being affected by the high energy costs.

In summary, Mr. O'Dowd indicated the economic consensus was that the first half of 2008 will be weak, but that the second half will be stronger. He confirmed that mega-capitalization stocks, such as those held by the Real Estate Trust Fund, still look attractive. Early cycle leaders will be emphasized, such as financials, consumer discretionary and technology stocks. Risks remain in the areas of a possible slowdown in China, and possibly a deeper recession, but the markets are expected to turn positive in the fourth quarter of 2008.

Real Estate Trust Fund Quarterly Review

Mr. O'Dowd provided a quarterly performance report to the Trustees. The Real Estate Trust Fund remains invested in accordance with the Real Estate Trust Fund Investment Policy, viz., approximately 36% in equities and 64% in fixed income and cash. The estimated portfolio yield is 4.57%.

The Real Estate Trust Fund is meeting or exceeding the performance of the TD Banknorth Wealth Management Group "Income/Growth Index," which is pegged against the S&P 500 Index for the equity portion of the portfolio, the Lehman Intermediate Government Index for the fixed income portion of the portfolio, and the Merrill Lynch 3-month T-Bill index for the cash portion of the portfolio.

The portfolio is slightly over-weighted in the health care area in light of the favorable opportunities for growth in this sector due to the aging of the baby boomer population. The portfolio has 11.9% in international equities, which is in keeping with the objective of 10% to 15% in internationals.

The maturity schedule for the fixed income portion of the portfolio was reviewed. About \$1.9 million of bonds will come due in 2009. At that time, the investment manager intends to take advantage of higher interest rates, especially in corporate bonds, as the economy starts to recover.

The ratings on the bonds held in the portfolio meet the Investment Policy requirement of BBB or better. About 67% of the bonds in the portfolio are rated AAA. Approximately 13% of the fixed income portion of the portfolio is invested in preferred stocks, rate A or better.

Real Estate Trust Fund Annual Review

The Investment Policy for the Real Estate Trust Fund requires an annual review. Mr. O'Dowd indicated that the Investment Policy approved by the Trustees on July 30, 2007, continues to be an appropriate policy for the Real Estate Trust Fund. The Policy calls for a portfolio of 40% in equities, and 60% in fixed income and cash. The Trustees reviewed the various annual reports required in the

Policy, and affirmed that TD Banknorth Wealth Management Group is actually providing these reports on a quarterly basis to the Trustees.

Real Estate Trust Fund Quarterly Distributions

The Trustees discussed the feasibility of paying Real Estate Trust Fund income to the Town quarterly instead of annually in order to reduce the need for tax anticipation notes. Mr. O'Dowd of TD Banknorth was asked what impact quarterly payments would have on management of the Trust Fund. Mr. O'Dowd replied that there would not be any problem doing this; however, the amount of income varies by quarter such that the appropriate amount of income to be transferred to the Town would have to be decided upon each quarter.

MOVED by Mr. Hamilton to transfer \$180,000 of accumulated income year-to-date from the Real Estate Trust Fund to the Town, and to review the accumulated income in the Trust Fund again in July and October for 2nd and 3rd quarter distributions, respectively. The year-end distribution in January will be reconciled to the actual total annual income from the Trust Fund and the year-end accruals.

SECOND by Mr. Atwood.

VOTE: 4-0-0

Motion Passed

The \$180,000 of accumulated income will be moved by bank wire on April 22, 2008.

Mr. O'Dowd announced to the Trustees that TD Banknorth will be changing its name to TD Commerce. Mr. O'Dowd was thanked for his efforts on behalf of the Town. He left the meeting at 4:15 p.m.

Minutes of the last meeting:

The minutes from the meeting of March 31, 2008, were reviewed.

MOVED by Mr. Hamilton to approve the minutes.

SECOND by Mr. Mackensen.

VOTE: 4-0-0

Motion Passed

Town Warrant Articles:

The Trustees discussed the execution of the Articles from the March 11, 2008, Town Meeting.

- Article 23: The creation of the new Department of Public Works Equipment Capital Reserve Fund (\$340,000) will occur after the June tax bills are sent out and tax revenues received.
- Article 24: The transfer of \$19,750 from the sales of cemetery lots to the Cemetery Burial Trust Fund will occur after the June tax bills are sent out and tax revenues received
- Article 26: The Cemetery Trustees' withdrawal of \$45,000 from the Cemetery Burial Trust fund for the pickup truck and snow plow will occur when formally requested by the Cemetery Trustees.
- Article 27: The Cemetery Trustees' withdrawal of \$4,500 from the Cemetery Burial Trust fund for the roof on the High Street Cemetery Building will occur when formally requested by the Cemetery Trustees.

Senate Bill 377

Representative Chris Nevins of Hampton graciously provided a copy of SB 377 to the Trustees. Senate Bill 377 extends the application of the prudent investor rule to town trust funds under certain conditions.

The Trustees reviewed a draft of a letter to Representative Robert Theberge, Chair of the Municipal County Government Committee. The letter recommends incorporating clarifying words that would explicitly permit the hiring of investment consultants by towns who choose to implement the prudent investor rule.

MOVED by Mr. Mackensen to approve sending the letter.

SECOND by Mr. Hamilton.

VOTE: 4-0-0

Motion Passed

Chairman Lessard signed the letter on behalf of the Trustees.

Smaller Trust Funds and Capital Reserve Funds:

The Trustees reviewed the NH Public Deposit Investment Pool March 31, 2008, statement. The current interest rate is 2.7%.

The next meeting of the trustees is scheduled for Monday, May 19, 2008, at 3:00 p.m.

MOVED by Mr. Mackensen to adjourn.

SECOND by Mr. Atwood.

VOTE: 4-0-0

Motion Passed

The meeting adjourned at 4:30 p.m.

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Bookkeeper