

# Town of Hampton



## TRUSTEES OF THE TRUST FUNDS

JULY 14, 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 3:00 p.m. by Chairman Lessard.

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### **Economic Outlook:**

Chairman Lessard opened the meeting by asking Mr. O'Dowd to provide an update on the Real Estate Trust Fund.

Mr. O'Dowd started by providing an economic outlook prepared by TD Banknorth Wealth Management Group. Despite all of the problems in the markets, the Gross Domestic Product (GDP) is still a positive 1%. The real consumer spending rate change is 2.2% over the prior year, which indicates that consumer spending has slowed since 2007.

Housing prices have fallen to -8.6% nationally and may worsen yet. Houses were overpriced and speculation was running rampant. Unfortunately, we have to go through the current process to get back to a reasonable pricing environment.

The unemployment rate has risen to 5.5%. The rate was actually higher in 2002 and 2003. The rate may still go up to 6%. Consumer spending is more dependent on unemployment rates than housing prices.

The Purchasing Managers Survey Index is at 50.2%, which indicates that we are right at the definition of a recession. This is still not as bad as in 2000-2002. Exports have helped the economy weather this recent storm.

Energy prices have increased dramatically in 2008. The declining dollar further hurts the energy sector. There is no end in sight to rising energy prices, although demand for energy is declining due to conservation efforts. After the Olympics are over, China may stop the 18% subsidy that is being provided to offset higher energy prices.

Wheat prices have dropped but corn has gone up in price due to government subsidies for ethanol production.

The Consumer Price Index (CPI) is 4.1%, and the core inflation rate (excluding food and energy) is 2.3%. The Federal Reserve is watching this index closely.

Year-to-date, the S&P 500 Index is down 13%, and the Dow Jones 30 Industrial Average is down 14%. The overall S&P 500 earnings are down 9%, although the earnings are up 5% in many companies.

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### **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 34% in equities and 66% in fixed income and cash. The estimated portfolio yield is 4.75%.

Mr. Mackensen asked Mr. O'Dowd if any bonds should be sold in the portfolio to reduce the bond percentage and re-establish an equity percentage closer to the target of 40%. Mr. O'Dowd did not see a need to do this as the portfolio remains within the acceptable ranges specified by the Investment Policy.

The Trustees questioned the holding of Washington Mutual at the meeting in April, and the investment advisor sold the position in May. The proceeds were invested in a SPDR exchange-traded fund for greater diversification.

The 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 Trust Fund total return for the entire portfolio year-to-date, as of June 30, 2008, was -3.24%. The portfolio market value as of July 11, 2008, was \$14,982,939.

The portfolio equity style allocation is about 38% growth and 46% value, with the balance a blend of equities. The investment advisor reassured the Trustees that the portfolio is well-positioned to recover nicely when the market turnaround occurs. It is important to stick to the Investment Policy through this market turmoil.

The Trustees reviewed a request from Selectman Richard Nichols for a 2<sup>nd</sup> Quarter Real Estate Trust Fund performance report. A copy of the TD Banknorth Wealth Management Group's presentation will be provided to the Town Manager for Mr. Nichols. Additional discussion was held as to how to handle similar requests from Hampton residents in the future. The Board concluded that it will use the provisions in the NH Right-To-Know law as guidance.

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**Real Estate Trust Fund Quarterly Disbursement:**

The Trustees reviewed the accumulated income in the Real Estate Trust Fund to determine the appropriate amount to provide to the Town as a July distribution.

**MOVED** by Mr. Atwood to distribute \$225,000 to the Town as a quarterly distribution based on the anticipated total income of \$750,000 for the year.

**SECOND** by Mr. Hamilton.

**VOTE: 4-0-0**

**Motion Passed**

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**Sale of Leased Land at Hampton Beach:**

The Trustees received a check for \$200,000 from the sale of the leased land at 19 Epping Avenue, Map 299, Lot 6. The check was deposited in the Trustees' checking account.

A check was signed by two trustees transferring the \$200,000 to the Real Estate Trust Fund as additional principal.

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**Minutes of the last two meetings:**

The minutes from the meeting of June 16, 2008, were reviewed.

**MOVED** by Mr. Hamilton to approve the minutes.

**SECOND** by Mr. Lessard.

**VOTE: 4-0-0**

**Motion Passed**

The minutes from the meeting of June 26, 2008, were reviewed. Minor comments were incorporated.

**MOVED** by Mr. Hamilton to approve the minutes.

**SECOND** by Mr. Atwood.

**VOTE: 4-0-0**

**Motion Passed**

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**Smaller Trust Funds and Capital Reserve Funds:**

The Trustees reviewed the trust funds and capital reserve funds invested in the NH Public Deposit Investment Pool (NH PDIP). As of July 11, 2008, the current monthly average interest rate was about 2.3%.

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**Winnacunnet School District Special Education Trust Fund:**

The Trustees reviewed a letter sent to the Winnacunnet School District providing various documents to support their annual audit. During the last month, the School District provided the Bookkeeper with the 2008 Article and Voting Results supporting the additional contribution of \$50,000 to the Trust Fund, which will be sent to the Trustees in October.

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**Real Estate Trust Fund Bidders:**

The Trustees received a letter from Prime, Buchholz & Associates indicating that the RFP is not an ideal fit for their firm and have therefore decided not to submit a proposal.

Merrill Lynch informed the Trustees via email that Merrill Lynch Trust Company will have their subsidiary, Black Rock Private Investors, submit a bid.

TD Banknorth Wealth Management Group will be bidding.

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**Real Estate Trust Fund Income:**

The Trustees reviewed a work-in-progress spreadsheet showing the projected income from the Real Estate Trust Fund for 2008. The Trustees felt that it was important to add figures showing the principal balances at 2007 year-end and the end of July 2008. After final review and approval at their meeting on August 4, 2008, the Trustees will provide this spreadsheet to the Board of Selectmen on August 11th. Chairman Lessard and Bookkeeper Mackensen will appear at the Selectmen's Meeting.

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### **SB377: Prudent Investor Rule**

The Trustees were apprised by Terry M. Knowles, Assistant Director of the Charitable Trust Unit at the Attorney General's Office, that SB377 was signed by Governor Lynch on June 26, 2008, and is effective on August 25, 2008.

The Prudent Investor Rule provides the Trustees of Trust Funds with greatly expanded choices for the investment of trust funds. The Investment Policy for the Hampton Real Estate Trust Fund adopts the Prudent Investor Rule.

The Prudent Investor Rule does not apply to taxpayer-funded items including capital reserve funds.

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### **Real Estate Trust Fund 2007 MS-9 Beginning Balance:**

The Trustees asked the Bookkeeper to contact the Town Finance Manager to have the auditors help resolve the different figures for the 2006 ending balance, i.e., the audited 2006 ending balance for the Real Estate Trust Fund does not correspond with the 2006 ending balance on the Trustees' spreadsheet.

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### **Trustee Resignation:**

Chairman Lessard announced that Trustee John J. Kelley, Sr. submitted his resignation as a trustee. Chairman Lessard provided a copy of the written resignation to the Town Clerk and the Town Manager for transmittal to the Board of Selectmen. Per RSA 31:22, vacancies on the Board of Trustees are filled by the Board of Selectmen.

The Board of Trustees will send a thank you letter to Mr. Kelley for his years of service as a trustee since 1986.

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### **Next Meeting:**

The next meeting of the Trustees is scheduled for Monday, August 4, 2008, at 3:00 p.m., at which time the bids in response to the Request For Proposals for the Hampton Real Estate Trust Fund will be opened.

**MOVED** by Mr. Atwood to adjourn.

**SECOND** by Mr. Hamilton.

**VOTE: 4-0-0**

**Motion Passed**

The meeting adjourned at 5:20 p.m.

Respectfully submitted,

*Warren J. Mackensen*

Warren J. Mackensen, Bookkeeper