

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

AUGUST 16, 2010 3:00 p.m.

TRUSTEES: David Hamilton, Chairman
Edward (Sandy) Buck, Vice Chair
Warren J. Mackensen, Bookkeeper
Norman Silberdick
William A. Hartley

ADVISOR: Robert A. Magan, CFA, TD Wealth Management, Private Client Services

PUBLIC: Debora H. Curtis, Hampton resident

The meeting was called to order at 3:00 p.m. by Chairman Hamilton, followed by the Pledge of Allegiance.

Personnel Change at TD Wealth Management

The Trustees acknowledged the recent resignation of Mr. John O'Dowd of TD Wealth Management, and recognized the appointment of Mr. Robert A. Magan as interim Relationship Manager. Chairman Hamilton offered an opportunity for Mr. Magan to speak to the Trustees.

Mr. Magan reported that he was a colleague of Mr. O'Dowd for some time. Mr. Magan has been in the wealth management business for over 18 years, with more than half of those years at TD Wealth Management. He has experience with securities trading, portfolio management, security analysis, and client relationship management.

Mr. Magan received the designation of Chartered Financial Analyst in 1997, which required a series of exams covering a broad range of topics from security analysis, to portfolio management, to ethical standards. Mr. O'Dowd's assistant, Mary Cobb, remains the assistant for the portfolio.

Mr. Magan stated that he had reviewed the Investment Policy for the portfolio. Mr. Mackensen asked him if he recommended any changes to the asset allocation or anything else. Mr. Magan recommended keeping the 40% equities and 60% fixed income allocation. Mr. Dennis Woessner, the TD Fixed Income Portfolio Manager in Burlington, MA, will continue as the Investment Manager.

Mr. Buck commented that it is advantageous to the Trustees to have someone who has previously been an investment advisor be the Trustees' relationship manager.

Mr. Mackensen ensured that Mr. Magan realized the Real Estate Trust Fund is now operating on a cash basis, not an accrual basis.

Mr. Silberdick opined that two of the five trustees feel the fixed income portion of the portfolio should be increased. Mr. Magan replied that with the challenges of the current economy continuing, there is room within the asset allocation to tilt the portfolio more towards fixed income and still be within the allowable equity range of 25% to 45% equities. He is not, however, a market timer. The discussion ended with Mr. Silberdick expressing his continuing concern about the health of the economy.

Real Estate Trust Fund Trend Graphs

The Trustees reviewed graphs showing the month-end market values of the Real Estate Trust Fund since late 2005. Mr. Mackensen provided Mr. Magan with a copy of the Real Estate Trust Fund graphs.

Real Estate Trust Fund Disbursements Review

The Trustees reviewed the 2010 Cash Basis Income, Fees & Distributions Summary spreadsheet provided by the Bookkeeper showing the accumulated income and distributions to the Town as of the end of last month. Mr. Magan was provided a copy of the Income, Fee & Distributions Summary spreadsheet.

Mr. Magan left the meeting at 3:30 p.m.

Real Estate Trust Fund Fee Calculation

The Bookkeeper informed the Trustees that the recent fees for the Real Estate Trust Fund were computed correctly by TD Wealth Management.

Town Borrowing from the Real Estate Trust Fund

Four of the Trustees were interviewed by the Hampton Union since the last meeting. Several of the Trustees responded to the Hampton Union Reporter, Patrick Cronin, by referring him to the Trustees' website, www.HamptonTrustFunds.org. The Hampton Union carried an article on July 30, 2010, stating that withdrawing money from the Real Estate Trust Fund for the purposes of building a fire station at Hampton Beach is not allowed under the existing RSAs.

Minutes of the Last Meeting

The minutes from the meeting of July 19, 2010, were reviewed.

MOVED by Mr. Buck to approve the minutes.

SECONDED by Mr. Hartley.

VOTE: 5-0-0

Motion Passed

Smaller Trust Funds and Capital Reserve Funds

The Trustees reviewed financial documentation on the smaller trust funds and capital reserve funds for the prior month. There were no comments.

Trustee Procedures

The Bookkeeper reported that he has created an Administrative Coordinator Manual that provides written procedures for the administration of the trust funds and capital reserve funds. The Manual was passed around for the Trustees to review. They were pleased that the administrative procedures for the trust funds have been codified for future reference.

Administrative Coordinator

Mr. Mackensen recommended that the Trustees hire Hampton resident, Debora Curtis, to serve the Board of Trustees as Administrative Coordinator. Ms. Curtis has worked at Mackensen & Company for six years and is very skilled at handling the variety of duties that need to be performed to maintain the smooth administration of the town trust funds.

Mr. Mackensen pointed out that the appointment of an Administrative Coordinator for the Trustees provides a significant risk reduction by having a second person on board who is familiar with the Trustee administrative procedures in the event of Mr. Mackensen's death, disability, or election defeat.

Ms. Curtis would be hired as a town employee, and would work on trust fund matters outside of her regular working hours. She would use the resources available at Mackensen & Company (computer and printers) to support the Trustees, the same as Mr. Mackensen has been doing for the past three years. The estimated administrative time is 100 hours per year.

MOVED by Mr. Silberdick to hire Ms. Curtis as the Administrative Coordinator at an annual salary of \$2,000. Per RSA 31:24, this expense shall be charged as incidental town charges against the Trustees' annual budget line item.

SECONDED by Mr. Buck.

Chairman Hamilton received concurrence from the other Trustees that the appointment would be effective immediately, and that the salary for 2010 would be prorated for the remaining 4-1/2 months left in the year.

VOTE: 5-0-0

Motion Passed

Mr. Hamilton will recommend to the Town Manager that Ms. Curtis be hired as voted by the Trustees.

Alternative Investment Management Approaches

Mr. Mackensen asked the Trustees to consider lower cost alternatives to the current investment advisor relationship with TD Wealth Management. The Trustees are currently incurring a 0.50% fee on the \$15,300,000 Real Estate Trust Fund portfolio. A few months earlier, at the request of the Trustees, TD Wealth Management reduced their fee by agreeing not to charge their fee on the cash in the portfolio. With the nominal cash level at about \$500,000, the resulting fee still amounts to about \$75,000 per year. This fee is paid out of Real Estate Trust Fund portfolio income, which means the Town's income is reduced by that amount.

Mr. Mackensen reminded the Trustees that the Real Estate Trust Fund requires detailed principal and income accounting. He provided the Trustees with a spreadsheet entitled "Trust Reporting Options," which showed that principal and income accounting services from other vendors are obtainable at a cost of about \$10,000 per year. He also provided the Trustees with a sample monthly portfolio report from one of the vendors.

The Trustees agreed to review proposed portfolios at their next meeting in September. The Trustees established the following constraints on the proposed portfolios:

- The principal of the Real Estate Trust Fund should be protected.
- Proposed portfolios should maintain the same level of income.
- Proposed portfolios may include index mutual funds, exchange-traded funds, and no-load or low-load efficiently-managed mutual funds.
- The fees associated with the portfolio should be reduced substantially.

The various characteristics of the proposed portfolio will be examined carefully, including historical returns, risk factors, manager tenure and other parameters.

The Trustees also agreed they will not make a change to the current wealth manager until after the October 2010 meeting.

Next Meeting

The next meeting of the Trustees is scheduled for September 20, 2010, at 3:00 p.m.

MOVED by Mr. Silberdick to adjourn.

SECONDED by Mr. Hartley.

VOTE: 5-0-0

Motion Passed

The meeting adjourned at 4:37 p.m.

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Bookkeeper