

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

December 8, 2014 4:15 p.m.

Selectmen's Conference Room

TRUSTEES: Norman Silberdick, Chairman
William A. Hartley, Vice Chairman
Stephen A. Falzone, Secretary/Clerk (4:20 p.m.)
John Sovich
John Troiano

ADMIN ASSISTANT: Ms. Joan Rice

ADVISORS: Warren J. Mackensen, Mackensen & Company, Inc.

AUDIENCE: Mark Gearreald, Town Counsel
James Waddell, Selectman

The meeting was called to order at 4:15 p.m. by Chairman Silberdick.

Minutes of the Last Meeting

The minutes from the meeting of October 20, 2014 were reviewed.

MOVED by Mr. Troiano to approve the minutes.

SECONDED by Mr. Sovich.

VOTE: 4-0-0

Motion Passed

At this time, Mr. Falzone joined the meeting.

Real Estate Trust Fund Portfolio

The NATC Account Custody Statement was reviewed, including the new bond purchases.

Mr. Mackensen said the portfolio market value is now close to \$19 million. The purchase of bonds, as approved at the last meeting, has been completed. Current yield is at 3.5%. The portfolio has unrecognized capital gains of about \$1.9 million within the \$19 million portfolio.

Common Trust Fund Portfolio

The NATC Account Custody Statement was reviewed. Mr. Mackensen said the portfolio is at approximately \$607,000. Current yield is at 2.6%. There are unrecognized capital gains of about \$50,000.

During November, a transfer of \$1,981.95 from the Common Trust Fund Portfolio to the Real Estate Trust Fund Portfolio was executed to recognize the allocation of investment management fees for years 2011 through 2014 being paid by the Real Estate Trust Fund. Each of the funds within the Common Trust Fund was proportionately debited.

Common Capital Reserve Fund Portfolio

The NATC Account Custody Statement was reviewed. Mr. Mackensen said the portfolio is at approximately \$1.2 million. Being a very conservative portfolio under the prudent man rule, the current yield is at 1.4%. There are unrecognized capital gains of about \$20,000.

During November, Mackensen & Company made a voluntary payment to the Real Estate Trust Fund Portfolio in the amount of \$4,062.71, to facilitate closure of the fee discussions that a citizen had brought up at several Selectmen meetings in the previous months. This voluntary payment avoided the Trustees of Trust Funds from having to go to the SAU 21 School Board, the SAU 90 School Board, the Hampton Beach Village District Board and the Hampton Selectmen to obtain payments for previous investment services (2001 through 2014) on their capital reserves. Mr. Silberdick pointed out that the voluntary payment by Mackensen & Company was not a penalty, but rather a responsible way to save a lot of time discussing very small numbers with four different boards and about 25 people.

Winnacunnet School District Common Capital Reserve Fund

The NATC Account Custody Statement was reviewed. Mr. Mackensen said the portfolio is at approximately \$564,000. Being a very conservative portfolio similar to the Common Capital Reserve Fund under the prudent man rule, the current yield is at 1.4%. There are unrecognized capital gains of about \$8,000.

Re-allocation of Fees

As cited above, Mr. Silberdick said that advisory fees should have been allocated to the Common Trust Funds and each of the CRFs should also have been billed. Mr. Silberdick said he met with Town Counsel, Attorney Gearreald, and the Assistant Director of the Charitable Trusts Unit, Terry Knowles. It was decided that going back and asking for reimbursement would be cumbersome. The simplest thing was for the allocations to be fully recognized for all four years on the 2014 MS-9, and the MS-10 footer annotated as such for the record.

Mr. Sovich reiterated what Mr. Silberdick said, i.e., that it should be made clear that this was not an error by Mackensen & Company and this was not a penalty against them.

Warrant Article regarding Investment Management Fees

In light of the passage of House Bill 297 in May 2014, Mr. Mackensen provided a copy of the proposed 2015 warrant article provided earlier by Attorney Gearreald. The Trustees all indicated that they were in favor of the proposed warrant article. The warrant article will permit the Trustees of Trust Funds to pay investment management fees relating to capital reserve funds out of the income of the capital reserve funds, rather than having to put the fees into the various entity budgets (SAU21, SAU 90, HBVD, and Town). In the event that the warrant article does not pass, the Trustees would then go back to SAU 21, SAU 90, the Village District and the Town and ask them to pay for Mackensen & Company's services out of their regular budget.

Mr. Silberdick asked Attorney Gearreald if these entities should be advised to add these fees to their budgets. Attorney Gearreald said he would prefer to check with the Attorney General's office before any such action is taken. Attorney Gearreald suggested sending a message to the Budget Committee Chairman for the Town, and to wait to hear from him regarding the two SAUs and the Hampton Beach Village District.

Investment Management Agreement

Mr. Mackensen discussed and explained the proposed Municipal Investment Management Agreement for 2015 and beyond. Mr. Silberdick said there is still the outstanding issue of other boards budgeting for fees and perhaps that should be resolved before this agreement is signed. Attorney Gearreald advised holding off signing the Agreement until he can review it. Mr. Mackensen said the agreement can be signed at the January trustees meeting.

Distribution of Income and MS-9 Report

Mr. Mackensen reviewed the November 30, 2014, MS-9 Report. He suggested that distributions should be made from various trusts based on the November 30th MS-9 ending income balances.

MOVED by Mr. Troiano to approve the distributions of income as follows:

- a. Poor Trusts \$7.00
- b. Perpetual Care Trusts \$480.00
- c. Cemetery Burial Trust Fund \$10,930.00
Total check to the Town: \$11,417.00
- d. Library Trusts \$220.00
Total check to the Library: \$220.00

SECONDED by Mr. Hartley.

VOTE: 5-0-0

Motion Passed

Warrant Article for Town to Borrow

Mr. Silberdick said it would not be a good decision for the Town to borrow from the Real Estate Trust Fund. Mr. Hartley said the economics of the Town borrowing from the Trust Funds are negative. The purpose of the Fund is not for the Town to borrow for current capital projects because it might potentially deplete the Fund. Selectman Waddell said the Board of Selectmen is no longer pursuing this means of financing capital projects.

Next Meeting

The next meeting of the Trustees is scheduled for Tuesday, January 20, 2015, at 4:00 p.m. in the Selectmen's Meeting Room.

Adjournment

There being no further business, the meeting was adjourned at 5:15 p.m.

Respectfully submitted,

Joan Rice
Secretary