

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

DECEMBER 14, 2009 3:00 p.m.

TRUSTEES: Robert (Vic) Lessard, Chairman
David Hamilton, Vice Chairman
Edward (Sandy) Buck
Warren J. Mackensen, Bookkeeper
Norman Silberdick

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

Minutes of the Last Meeting

The minutes from the meeting of November 16, 2009, were reviewed.

MOVED by Mr. Hamilton to approve the minutes.

SECOND by Mr. Silberdick.

VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund

The Trustees reviewed graphs showing the month-end market values of the Real Estate Trust Fund. Mr. Hamilton reported the current market value of the portfolio as of mid-day December 14 was approximately \$15,105,000 – the highest it has been in all of 2009.

The Trustees reviewed the 2009 Cash Basis Income, Fees & Distributions Summary spreadsheet provided by the Bookkeeper.

Smaller Trust Funds and Capital Reserve Funds

The Trustees reviewed financial documentation on the smaller trust funds and capital reserve funds as of November 30, 2009.

2010 Trustees Meeting Schedule

The Trustees' meeting schedule for 2010 was submitted to the Administrative Assistant to the Town Manager. The schedule was also posted on the Trustees website www.hamptontrustfunds.org.

Cemetery Burial Trust Fund

The Town Finance Director, Michael Schwotzer, advised the Trustees that a check in the amount of \$5,000 will be provided to the Trustees for the Cemetery Burial Trust Fund this month. The \$5,000 was classified in 2004 as deferred revenue and should rightly be deposited in the Cemetery Burial Trust Fund. Upon receipt, the Bookkeeper will deposit the check in the Trustees checking account, for eventual transfer to the Vanguard Prime Money Market account.

MOVED by Mr. Hamilton to accept the addition of \$5,000 to the Cemetery Burial Trust Fund.

SECOND by Mr. Silberdick.

VOTE: 5-0-0

Motion Passed

Sidewalk Tractor Insurance Settlement

The Town Finance Director advised the Trustees that an insurance check from the total loss of the previous sidewalk tractor in the amount of \$9,000 will be provided to the Trustees for deposit into the Department of Public Works Equipment Capital Reserve Fund this month. Had the check arrived earlier, the check would have been applied to the recent tractor purchase and there would have been less of a draw on the Equipment CRF. Upon receipt, the Bookkeeper will deposit the check in the Trustees checking account, for eventual transfer to the Vanguard Prime Money Market account.

MOVED by Mr. Hamilton to accept the addition of \$9,000 for the DPW Equipment Capital Reserve Fund.

SECOND by Mr. Silberdick.

VOTE: 5-0-0

Motion Passed

Investment of Smaller Trust Funds

In view of the substantial sums in the smaller trust funds and capital reserve funds, and considering the dismal yield on money market funds (currently 0.08% per year), Mr. Mackensen proposed that the Trustees invest a majority of the small trust funds and capital reserve funds in the Vanguard GNMA Fund Admiral Shares.

MOVED by Mr. Buck to accept the GNMA investment proposal recommended by Mr. Mackensen.

SECONDED by Mr. Mackensen.

Discussion regarding the characteristics and safety of GNMA's ensued. Mr. Mackensen pointed out that GNMA's are tranches of VA and FHA government-guaranteed mortgages. The Fund is classified as an intermediate-term government bond fund with \$36.6 billion of assets in it. The current yield of the Fund is 2.91% with an average maturity of 2.7 years. The expense ratio of the Fund is 0.13% per year.

The proposed investment falls within the smaller trust funds and capital reserve funds investment policy approved by the Trustees. Further, the proposed investment meets the investment criteria of RSA 31:25 for trust funds, and RSA 35:9 for capital reserve funds.

Mr. Hamilton countered he would prefer that monies not needed in the immediate future be invested in CD's. He is not in favor of any product that has the potential to affect principal negatively.

Mr. Silberdick also expressed his concern about a diminution of principal due to interest rate fluctuations and said he would like to see money that may be withdrawn in the near future maintained in the Vanguard Prime Money Market Fund. Mr. Mackensen pointed out that, being a mutual fund, shares of the Vanguard GNMA Fund can be sold at any time and the proceeds deposited in the Vanguard Prime Money Market Fund the next day.

After further discussion, the original motion was amended by Mr. Mackensen to keep approximately \$100,000 in the Vanguard Prime Money Market Fund and to invest the rest in Vanguard GNMA Fund Admiral Shares on January 4, 2010. A review of the GNMA Fund will be triggered if the Fund net asset value drops below \$10.50 per share.

VOTE: 3-2-0

Motion Passed

Town Roads Withdrawal Allocation

The Trustees reviewed the principal and income balances in the Town Roads Capital Reserve Fund as of October 31, 2009. The principal balance was \$194,101.74. The income balance was \$157,132.66. The total (principal and income) balance was \$351,234.40.

With the recent withdrawal of \$300,000 by the Selectman for paving town roads, the Bookkeeper posted the distribution as a withdrawal of all income on hand (\$157,132.66) and a withdrawal of \$142,867.34 of principal.

The balances as of November 17, 2009, after the withdrawal, were: \$51,234.40 of principal, and zero income.

MOVED by Mr. Mackensen to accept the allocation as discussed.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

2009 Town Report

The Trustees reviewed Draft B of the 2009 Trustees of the Trust Funds report to the Town. Mr. Hamilton made one correction to reflect the asset allocation guidelines of the Real Estate Trust Fund Investment Policy. Final approval of the report will occur at the January 25, 2010, meeting when all of the year-end financial figures have been received.

Real Estate Trust Fund Investment Policy

The Trustees reviewed the Real Estate Trust Fund Investment Policy approved on January 20, 2009.

MOVED by Mr. Mackensen to re-affirm the Investment Policy for the coming year.

SECOND by Mr. Buck.

VOTE: 5-0-0

Motion Passed

Smaller Trust Funds and Capital Reserve Funds Investment Policy

The Trustees reviewed the Investment Policy for the smaller Trust Funds and Capital Reserve Funds (excluding the Hampton Real Estate Trust Fund and the Library Trust Funds) that was approved on November 17, 2008.

MOVED by Mr. Hamilton to re-affirm the Investment Policy for the coming year.

SECOND by Mr. Silberdick.

VOTE: 5-0-0

Motion Passed

Library Trust Funds Investment Policy

The Trustees reviewed the Investment Policy for the Library Trust Funds, which was approved by the Library Trustees on February 20, 2008.

MOVED by Mr. Buck to maintain the Investment Policy for the Library for the coming year, unless directed otherwise by the Library Trustees.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

The Bookkeeper will email the Library Trustees to remind them that they need to reaffirm this Investment Policy at a regular meeting of the Library Trustees.

Internal Controls Policy

The Trustees reviewed the Internal Controls Policy adopted by the Trustees on August 13, 2007. The checking account statements are now electronic and obtained online in PDF format. Accordingly, the checking account paragraph about reconciling the bank statement upon receipt was struck. The checking account section of the Internal Controls Policy was reworded to read:

“The Bookkeeper shall electronically archive the monthly bank statement for audit purposes. The trustee holding the checkbook shall reconcile the online bank statement monthly and notify the Board of any discrepancies.”

MOVED by Mr. Silberdick to approve the Internal Controls Policy, as amended.

SECOND by Mr. Buck.

VOTE: 5-0-0

Motion Passed

The Bookkeeper will provide the online account login information to Mr. Hamilton.

Next Meeting

Before adjourning, Mr. Buck noted the passing of Paul Samuelson, PhD., who was a noted expert on economics and was the first American to win the Nobel Prize in Economics. He was the father of liberal economics and an advisor to President John F. Kennedy. Mr. Buck studied under Dr. Samuelson's tutelage in college.

The next meeting of the Trustees is scheduled for Monday, January 25, 2010, at 3:00 p.m.

MOVED by Mr. Hamilton to adjourn.

SECOND by Mr. Silberdick.

VOTE: 5-0-0

Motion Passed

The meeting adjourned at 4:40 p.m.

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Bookkeeper