

## **Report of the Trustees of Trust Funds**

During 2019, the Trustees of Trust Funds met five times, including four regular quarterly meetings and one special meeting to support timely approval of fund distribution requests. The Trustees welcomed one new member with the election of Warren Mackensen in March.

### **Real Estate Trust Fund**

The largest trust fund in Hampton is the Real Estate Trust Fund, whose main purpose is to generate income which can be used to reduce the local tax rate. The investment policy of the Fund has a target asset allocation of 40% equities (stocks) and 60% fixed income (bonds and cash). The purpose of this balanced asset allocation is to provide both income and an opportunity for the principal of the Real Estate Trust Fund to grow to offset the eroding effects of inflation.

Each month, the Trustees distributed income to the Town from the Real Estate Trust Fund to reduce the tax rate. The total income distributed (after investment management fees) was \$922,054, an increase of 12% over the 2018 income distribution amount of \$820,279. The current income yield of the fund, net of investment management fees, is approximately 4% as of year-end.

The Real Estate Trust Fund remains invested in a broadly-diversified portfolio of low-cost mutual funds, exchange-traded funds and individual bonds. The custodian is Fidelity Investments. The book value (i.e. cost basis) of the principal of the Real Estate Trust Fund increased from \$19,916,909 to \$20,305,132 during the year, including realized capital gains and capital gain distributions of \$388,224. There were no additional deposits to the fund from the sale of leased land at Hampton Beach during 2019. The market value of the fund's principal increased to \$22,745,891 from \$20,497,579 during 2019, representing an investment gain of approximately 11% (on principal only).

The time-weighted total return (income and capital appreciation including income accrued at year-end) net after fees was 15.5% for 2019. Over the past three years, the fund's total return has averaged 6.7% annually and it has distributed more than \$2.48 million in income to the town to offset the property tax rate. Over the past five years, the fund has achieved an average annual return, net of fees, of 5.8% and distributed more than \$3.68 million in income to the town's general fund.

At year end, the Real Estate Trust Fund allocation to equities was approximately 41%, which was within the allowable range of 25% to 45% specified by the Investment Policy. The allocation to fixed income was 57%, which was within the allowable range of 35% to 70%. The fund's cash allocation was approximately 2%.

### **Common Trust Fund**

The Trustees manage several smaller trust funds: The Cemetery Burial Trust Fund, the Cemetery Perpetual Care Trust Funds (71 individual trust funds), the Lane Memorial Library Trust Funds (four trust funds), the Campbell Sports Scholarship Trust Fund, and the Poor Trust Funds (three individual trust funds).

The smaller trust funds are invested in a common trust fund account at Fidelity Investments. Sub-accounting for each of the trust funds was maintained by the investment advisor and reported to the Trustees at each meeting. The market value of the common trust fund at year end was \$724,251 and the total return, net after management fees, was 13.83%. The fund generated \$24,046 of distributable income (net of fees) during the year, representing an income yield of approximately 3.5%

The Cemetery Maintenance Trust Fund earned income of \$22,362 which can be distributed to the Town for cemetery maintenance. The Town added \$32,246 to this fund from cemetery lot sales in 2019. In January 2019, the Town withdrew \$19,905 from this fund, representing the income earned during 2018, to offset cemetery maintenance expenses. In addition, per 2019 Warrant Article #31, the town withdrew \$9,854.70 from this fund for construction of the cemetery maintenance building. Withdrawals of \$50,000 (Warrant Article #33) for tree removal and \$42,000 (Warrant Article #32) for the purchase of a tractor/loader were also taken from this fund's principal during 2019.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$131.78) was added to the principal of the Fund, per the provisions of the trust document. The other half was distributed to the Recreation and Parks Department.

The four library trusts earned income of \$446.

### **Common Capital Reserve Fund**

The Trustees manage several capital reserve funds and expendable trust funds. These funds are invested in a common capital reserve fund account at Fidelity Investments. Sub-accounting for each of the capital reserve funds and expendable trusts was maintained by the investment advisor and reported to the Trustees at each meeting.

The common capital reserve funds and expendable trust funds are conservatively invested in US government securities, US government-backed agency bonds, investment grade bonds and up to 20% in high quality equities.

The market value of the common capital reserve fund at year end was \$3,436,358. The fund's total return for 2019 was 6.9%.

The Hampton School District did not add any funds to the Special Education Expendable Trust Fund in 2019. The principal and income balance in the Hampton Special Ed Fund at the end of 2019 was \$235,526.

A deposit of \$107,918 was added to the Compensated Leave Trust Fund. The principal and income balance of this fund at the end of 2019 was \$647,147. There were no disbursements from this fund during the year.

The Town Roads Capital Reserve Fund received a deposit of \$300,000. A total of \$52,417 was withdrawn from the fund. The ending principal & income balance was \$2,185,248.

There were no deposits into, or disbursements from, the DPW Equipment Capital Reserve Fund in 2019, leaving an ending principal & income balance of \$3,534.

There were no deposits into, or disbursement from the Management Information Systems Expendable Trust Fund during 2019. This fund's principal and income balance at year end was \$31,916.

Two new funds were created in 2019. The Firefighter's Turn out Gear Expendable Trust funds received an initial deposit of \$200,000 per Warrant Article #17, of which \$129,807 was withdrawn to purchase gear. The fund ended the year with a principal and income balance of \$73,630. The Hampton Cemetery Association Trust was established to receive the assets of the Hampton Cemetery Association under a Consent Decree of the Rockingham County Superior Court. This fund received an initial deposit of \$167,826 and ended the year with a principal and income balance of \$170,265.

### **Winnacunnet School District Common Capital Reserve Fund**

The Winnacunnet School District common capital reserve fund account ended the year with a market value of \$749,960. The fund's total return for 2019 was 6.8%.

The Winnacunnet School District added \$50,000 to its Special Education Expendable Trust and \$75,000 to its Health Care Expendable Trust. There were no withdrawals from these funds during the year. The ending principal and income balance for the Special Education Expendable Trust Fund was \$313,569 and for the Health Care Expendable Trust was \$152,924. The ending principal and income balance for the Winnacunnet High School Building Maintenance Fund was \$248,546. The District also maintains a Technology Expendable Trust Fund with an ending principal and income balance of \$5,101.

The total ending principal & income balance for the four Winnacunnet School District CRFs was \$720,140.

### **Trustees of Trust Funds Website**

The Trustees of the Trust Funds maintain a website to keep the citizens of Hampton informed about the trust funds and the capital reserve funds, and to provide disclosure under RSA 91-A (the Right-to-Know Law). The Trustees' website address is [www.HamptonTrustFunds.org](http://www.HamptonTrustFunds.org). The website features a page for each trust fund and capital reserve fund. The website also lists the next meeting date and the agenda for the next meeting. Copies of past meeting minutes may be downloaded from the website. Applicable state laws (RSAs) are listed on the website for easy reference. Besides the Trustees' website, Trustee meeting notices are posted at the Lane Memorial Library and the Town Office Building.

### **Trustees of Trust Funds**

Stephen A. Falzone, Chairman  
John P. Troiano  
John Bletzer  
Nancy Andrew  
Warren J. Mackensen