

Town of Swanzey, New Hampshire  
**TRUSTEES OF TRUST FUNDS**  
Meeting Minutes – October 23, 2015

*Note: Draft Minutes are subject to review, correction and approval by the Trustees. Review and approval of Minutes generally takes place at the next regularly scheduled meeting of the Trustees.*

**CALL TO ORDER:** The meeting was called to order by Chairman Richard Scaramelli at 8:36 a.m. Present were Chair Scaramelli, Edward Morenz, Steven Bittel, and Recording Secretary Beverly Bernard.

**OTHERS PRESENT:** Town Administrator Michael Branley

**WELCOME:** The Trustees welcomed Town Administrator Michael Branley

**ANNOUNCEMENT:** Monadnock Conservancy Director Ryan Owens will speak at the Conservation Commission meeting November 2, 2015 at 4 p.m. All are invited to attend.

**MINUTES:**

Minutes of August 20, 2015 were considered. Bittel **moved** to accept the Minutes of August 20, 2015, seconded by Morenz and all were in favor. ***Motion passed.***

**AGENDA ITEMS:**

a) **Report of the Bookkeeper – Q3**

Bittel spoke about the fact that he hasn't had a chance to complete the numbers. Scaramelli spoke about needing Scuito numbers soon and Bittel said he would complete those as soon as possible.

b) **Review of Investments**

Scaramelli reported \$2.124 million in the Common Fund. There was discussion about the positive nature of the market at the moment. Scaramelli referred to a worksheet for the meeting. He noted that the Energy portion of the portfolio has shrunk. Bittel said that he believed there is more downside in oil and Scaramelli referred to Royal Dutch being problematic. Scaramelli said he is comfortable about keeping the stock so long as the dividend is maintained. Morenz said analysts at Edward Jones think the dividend from Royal Dutch is safe at this time.

There was also a discussion about Conoco. Morenz said Edward Jones has a rating of 3 out of 5 on the stock, which is essentially a "hold". He also said it does produce a good dividend with possible dividend cut in 2016. He also spoke about a tight cash flow for the company. Scaramelli spoke about the stock being valued below what was paid for the stock at purchase (unrealized loss). Morenz said the stock was at \$54.58 for Conoco yesterday, which was down from September. Morenz said \$41.10 is the 52-week low. The Trustees decided to re-visit Conoco later in this quarter.

Scaramelli said at 11.8% the energy holdings are consistent with S&P 500 composition. It was noted that the portfolio is underweight in Consumer Sector, Finance, and Technology and overweight in Telecom, Industrials, and Utilities. There was a discussion about what to sell in order better balance the portfolio. Verizon was discussed. Morenz said Edward Jones has a buy on Telecom.

Discussion was held regarding the Consumer Sector. Scaramelli said we hold Phillip Morris, McDonald's, and Proctor & Gamble. Bittel said he has been considering stock in this sector and he said Clorox is solid, but pricey. He said he looked at Kellogg also, but is not interested in Colgate. General Mills was discussed as a consumer staple. Morenz displayed a 5-year graph for General Mills stock and it was generally upward. P.E. ratio is 27. Yield is 2.97 at the current price. Bittel said he would be comfortable with buying this stock. Morenz checked Clorox and said Edward Jones has a "hold" on it. Morningstar only give it two stars because it is overpriced. The Trustees agreed to purchase General Mills stock. Discussion was held about source of funds to purchase the stock. Bittel said the short term index fund is at \$123,000.

Bittel made a **motion** to purchase \$50,000 worth of General Mills (GIS) stock, with proceeds for the purchase to come from the short term index bond fund (VBIRX). There was a second by Scaramelli and discussion was held about executing the trade appropriately, which Bittel will do. There was also a discussion about the level of bonds in the portfolio. The Chair called for the vote and all were in favor. ***Motion passed.***

Discussion was held regarding Industrials. Scaramelli said Deere is an issue with low earnings. Bittel said that Dow Chemical should be considered. He said it has a nice yield and he likes DuPont and Dow as users of the products as a balance to the Energy stocks. He also mentioned railroads as a possibility. Morenz said Edward Jones has a "buy" on Deere. Cost was \$52,000 and the current balance is \$68,600. Morenz read the Morningstar comments about Deere, which said the stock is undervalued, four-star as of October 16, 2015, greater agricultural expansion will increase demand for Deere products. The comments included reference to bio-fuel subsidies. Bittel suggested that the Trustees keep watch on Deere and re-visit later in the quarter. Morenz said he was more concerned about Conoco than about Deere.

Scaramelli suggested Qualcomm as problematic at the moment. He also suggested a watch on this stock. Intel was considered. Discussion was held regarding royalty stream that Qualcomm currently enjoys. Briefly discussed was Cisco which has shown steady growth. Morningstar comments were read by Morenz: bear outlook stated regarding Cisco routers – network virtualization will overtake LAN switching segment and decrease demand for Cisco switches. The Trustees agreed to remain with Intel, Qualcomm, and Apple.

There was a brief discussion regarding the Finance sector holdings: JP Morgan, Wells Fargo, and US Bancorp. Bittel noted margins for banks are getting slimmer, which is more acute at the regional level and therefore recommend that the Trustees not pursue more banking stocks. Scaramelli suggested consideration of Visa or MasterCard. Bittel said he likes the position of Visa and MasterCard better than the banks. The Trustees agreed to add Visa to the Trustee's watch list.

## **NEW BUSINESS:**

**a) Budget estimate for bookkeeping services** – brief discussion was held regarding finding a replacement for Bittel who has been serving as Bookkeeper since the retirement of Mary Faulkner. Bittel referred to CPA Lynn Rust who would bill by the hour. He noted that the Trustees have agreed to have Lynn Rust do a pilot run for year-end calculations and then Rust would take it over from there, assuming approval by the Board of Selectmen. Rust would take over the Common Fund. He mentioned that Lori Belletete has assisted over the past year with a cash journal and she does the bank reconciliations.

Branley noted that the Trustees have the authority to cover their expenses from the holdings but Bittel noted the Town has paid the former Bookkeeper. Branley asked for a number for his draft budget and Scaramelli suggested \$7,500 was a number that could be used as a place holder.

**b) Request for Whitcomb Hall account summary and monthly/quarterly reporting** (Peter Johnson correspondence). Scaramelli said that it was surprising that no one has been keeping a record for that account. Bittel said he would try to get to that account and provide year-to- date receipts and disbursements. Scaramelli said that the Whitcomb Hall Committee should be accounting for who donates money. Bittel he said he would consult with Branley next week.

**ADJOURNMENT:** Bittel **moved** to adjourn, seconded by Morenz. Adjournment occurred at 10:32 a.m.

Next meeting: Thursday, November 12, 2015 at 8:00 a.m.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Beverly Bernard".

Beverly Bernard, Recording Secretary