

Town of Swanzey, New Hampshire
TRUSTEES OF TRUST FUNDS
Meeting Minutes – April 18, 2013

Note: Minutes are not final until reviewed and approved by the Trustees. Review and approval of minutes generally takes place on the next regularly scheduled meeting of the Trustees.

CALL TO ORDER: The meeting was called to order by Chairman Richard Scaramelli at 9:58 a.m. Present were Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

MINUTES:

March 7, 2013 – the minutes were reviewed and a **motion** made by Bittel to accept the minutes as presented, seconded by Morenz, all were in favor. ***Motion passed.***

March 28, 2013 – minutes were reviewed and a **motion** made by Scaramelli to accept the minutes as presented, seconded by Bittel. All were in favor except Morenz who abstained since he was not present at this meeting. ***Motion passed.***

NEW BUSINESS

a) **Chairmanship, bookkeeping for 2013 (see Policy, Bittel memo of April 11th)**

Chairman Scaramelli opened the meeting by introducing the need for the Trustees to select a Chairman and a Bookkeeper. He mentioned that historically, the Bookkeeper is a hired position; recently Bittel has been serving in that role. Scaramelli has been serving as Chair and he said he was willing to stay as Chairman if Bittel stays as Bookkeeper until such time as a Bookkeeper can be hired. Morenz **moved** to elect Scaramelli to the Chair and Bittel as Bookkeeper for the time being; Bittel seconded the motion, all were in favor with an abstention from Scaramelli. ***Motion passed.***

A discussion was held regarding the bookkeeper work and who might be able to accomplish that work. Bittel said he spoke to Lynn Rust, CPA, and Rust's firm was willing to be the bookkeeper, but he would charge the Town \$50.00 per hour. Morenz discussed the possibility of finding a competent bookkeeper that would cost \$25.00 per hour. Bittel said he reviewed programs like QuickBooks but the reviews were not very good. Bittel said that Quicken does have a portfolio management software product, but that he is looking for software that also handles securities sub-ledgers. Morenz said it won't be easy to find a bookkeeper with the knowledge that someone like Bittel has for management of portfolios. Bittel said that is why he wanted discuss further with Rust. Scaramelli suggested carving out the portfolio management piece needed so a bookkeeper could manage the rest. Morenz suggested that Vanguard will be more competent providing statements than a bank which should make the job easier for a bookkeeper.

Bittel suggested waiting for final resolution of the transfer to Vanguard to settle out. Morenz pointed out that one benefit of having a hired bookkeeper is that person could handle the books if Bittel became ill. Scaramelli suggested that the upcoming Trustees Seminar might be an appropriate venue for a survey of the attendees about how they have solved the problem. The Trustees agreed to take the next few months to do some research and think through their options for what would be required from a bookkeeper to make it a cost-effective hire.

b) **Review of Accounts – Q1 2013 Report of Bookkeeper (March 31, 2013)**

Capital Reserve and Expendable Trust Funds - Bittel reviewed the report. He noted that the Warrant Article for 2013 was copied listing the funds (cash transactions and any trades made). No activity.

Non-Restricted Funds - Transactions were made - Citizens Bank account was closed and Vanguard account opened. New Whitcomb Hall account was opened with a deposit of \$1,500. Fire tools & Equipment Fund received a \$50.00 donation from a citizen. Regular Museum transactions were made during the period.

Common Fund - 45 shares of Apple were purchased, which was the only trade. The shares were purchased with \$19,962.70 in cash. A brief discussion was held regarding tax costs, which is relevant only to NH MS-9 and -10 reporting. Transfer to Vanguard from Bank of America was completed and all accounts reconciled. Correcting trades were made to reverse Vanguard's reinvestment of income dividends in mutual fund shares (5 Funds; entries total \$224.52) Capital gain distributions were deposited to the Money Market Fund rather than reinvested. This is now corrected.

Bittel discussed additional required bookkeeping and related recommended trades. He proposed selling the Federal Fund shares on one day and buying them back the next day to move the mutual fund from the Income Fund to the Principal Fund (to act as the Principal Fund 'cash' account. Bittel moved that day one would be today for Trades with Vanguard and tomorrow would be day two. There is no fee for exchanges. Scaramelli said the purpose for making the trade is to create a paper trail so the books will show a sell and a buy. Confirmations would be received.

Scaramelli **moved** to accept the schedule of exchanges as proposed by Bittel, seconded by Morenz, with all in favor. **Motion passed.** (See Addendum 2 "Recommended Trades")

Bittel suggested selling orphan shares at the end of each year. Bittel proposed to sell income fund RDS-A shares. Morenz pointed out the dividend comes four times a year. An optional dividend can come at any time. Scaramelli asked what the advantage was for doing it now rather than waiting until October. Bittel said that the bookkeeping for it is onerous and he would rather purge the shares now.

Bittel **moved** to liquidate the Income shares of RDSA (Royal Dutch Shell), seconded by Morenz, all were in favor. **Motion passed.** Bittel will make the trade.

Cemetery Funds – Bittel reported that there were no fund account receipts or disbursements during the quarter. A discussion was held about the Bank of America cash balance of \$297.96 due to errors committed by the Bank. Bittel **moved** to purge the amount of \$297.96 exchanged to the Short Term Federal Fund, seconded by Morenz, all in favor. **Motion passed.**

CRB accounts – interest rates dropping - no report.

PDIP – De minimis balances - no report.

Chair Scaramelli expressed his appreciation for Bittel's management of the transition of accounts from Bank of America to Vanguard, with which Morenz concurred.

- c) **Trustee seminars at NH DOJ (May 30, 1-4 p.m.)** - Scaramelli asked for a commitment from the Trustees to attend. All agreed that the three will attend and Scaramelli will make the reservations. The seminar will be held in Concord.
- e) **“Swanzy Community Enrichment Trust Fund”** – Scaramelli introduced a document he prepared in response to a request from Kathy Habiby for a new Non-Restricted Trust Fund to be entitled “Swanzy Community Enrichment Trust”. The purpose of the fund would be to hold funds realized from Old Home Day activities in projects deemed enriching to the Town of Swanzy. A check for \$1,200.00 was provided. Habiby wanted the idea of a fund to go onto the March 2013 Warrant, but it failed to occur. Habiby has consented to place the funds into the Old Home Days account in the Town’s General Fund.

During the discussion, Bittel said the Trustees could create an expendable trust fund under the control of the Board of Selectmen. A concern was raised as to the money going into the general fund and become lost in the current year’s activity. The discussion centered on whether or not a request such as this would have to go to Town Meeting. Bittel pointed out that it was not necessary for the creation of the Whitcomb Hall fund. The Trustees agreed that they prefer to keep the money separated from the general fund. Morenz asked if an attorney sets up the documents for an expendable trust. Bittel said it isn't a trust in the traditional sense, it essentially is an escrow account managed by a third party. Scaramelli suggested that the Trustees pursue clarification from the Concord Seminar. *(See Addendum 1 for Proposed Community Enrichment Trust Fund)*

OLD BUSINESS

- a) **Alexander L. Mason update (Chubb stock Cemetery Fund)** - Scaramelli secured Alex Mason’s will and inventory and passed it around to the other Trustees for review. He noted that reading the will did not answer the questions the Trustees were seeking. Nowhere in the will is there mention of a burial in Swanzy, New Hampshire. Also, there is no answer as to how Mr. Mason’s stocks came to the Town of Swanzy.

Bittel said Attorney Sam Bradley had no problem with bringing this fund into the general (common) cemetery fund. Bittel proposed (subject to approval from Attorney Bradley) that as of January 1, 2013 the Trustees bring the original Alex L. Mason trust principal account into the common fund principal account within the Cemetery Fund where Alex L. Mason already has an Income Fund account. Bittel made a **motion** to do so, upon receipt of approval from Attorney Bradley, to make the change retroactively to the first of the year. Scaramelli added that if Bradley wants additional research, he is willing to pursue Mason's domiciles via US Census records. Scaramelli will speak to Bradley about it. The motion was seconded by Morenz, and there was no further discussion. All were in favor. **Motion passed.**

- b) **Proposal to add equity exposure to Non-Restricted Funds** – Deferred to next meeting.
- c) **Capital Reserve/Expendable Trust Manual – S. O’Keefe, Town Administrator**
There is now a file for each Capital Reserve & Expendable Trust, with attached Warrant Articles, in a binder available for research. The binder is being kept in O’Keefe's office for now, but it will eventually be stored in the Clerk’s vault. North Swanzy Water & Fire Precinct which has two

trusts and two capital reserve accounts are the only accounts for which sources have not been identified.

d) **Susan Sciuto Fund** –Scaramelli said he spoke to Mr. Sciuto and was informed that Mr. Sciuto has had multiple surgeries and unable to work with the Trustees. Scaramelli noted that Mr. Sciuto mentioned a brother of Susan Sciuto who may become more involved with the fund in the future. While the meeting was being held Sandi Page, an employee of the Town, delivered sixteen checks to Chair Scaramelli for the Sciuto Fund.

e) **Other**

Proceeds from logging operation – A discussion was held regarding the proceeds that will be derived from a Town logging operation on the land associated with the Carpenter Home. Scaramelli said that he thought it should go to the Lucy Carpenter Trust. Scaramelli referred to a copy of Lucy Carpenter’s will and referenced the section granting property. The section states that real estate “outside of the homestead” be disposed of "at the proper time" and that income derived therefrom be used to pay the operations of the Home. If the conditions are broken, the estate reverts back to the heirs. Bittel and Morenz asked what defines "homestead". The land to be harvested was part of the original homestead and is contiguous to the Home. The will’s section appeared to would make sense if the Carpenters have other properties outside the original homestead.

Morenz suggested that all the property being logged which generates income should go back into the Lucy Carpenter Trust Income Fund based on the Will of Lucy Carpenter read by Scaramelli. Bittel agreed. The Trustees all agreed that any revenue derived from logging operation on the property will go to Lucy Carpenter Income Fund. A **motion** was made by Bittel, seconded by Morenz, that the proceeds from the timber harvest on Mr. Caesar and adjacent to the Carpenter Home be deposited into the Lucy Carpenter Income Fund. All were in favor. **Motion passed.**

Town Administrator Shane O’Keefe joined the meeting at 11:17 p.m.

#1 item - Lucy Carpenter Fund

Scaramelli filled in O’Keefe on the decision of the Trustees that the revenues from the logging would go into the Lucy Carpenter Unrestricted Income Fund so that it can be spent. Scaramelli noted that if the funds go into the principal fund they get locked up and cannot be spent. O’Keefe said as much as \$50,000 can be generated. O’Keefe explained that the Carpenter Home is in the process of spending about \$10,000 for windows and kitchen range and the logging income will replenish the fund. Scaramelli gave O’Keefe a copy of the Will.

#2 - Capital Reserve/Expendable Trust Fund Manual

O’Keefe pointed out that the few funds which have no documentation thus far are indicated in the binder with arrows. Bittel asked O’Keefe to send the Table of Contents to both Bittel and Scaramelli in order to complete the list, which O’Keefe agreed to do.

#3 - Community Enrichment Trust Fund - Scaramelli told O’Keefe that the original \$1,200 deposit is on hold until a decision can be made about setting up a committee. Scaramelli asked about whether the Board of Selectmen has agreed to this committee.

O'Keefe said no, but the Board of Selectmen wanted an article at a Town Meeting, and it didn't get done. O'Keefe said he has a question as to whether this is a Town function. Bittel noted that the Trustees cannot accept the funds. He said that the money can go back into the Old Home Day fund, but if that is done the money will get lost. If the Town wants to put the money somewhere, rather than put it into the general fund, maybe the Board of Selectmen could create a fund like the Whitcomb Hall fund and label it Old Home Day/Community Enrichment and make it a non-restricted fund. The Whitcomb Hall fund is a non-restricted fund account.

#4 – Slate Bridge Fund

A discussion came up about the Slate Bridge Fund which has approximately \$1,300 in it. The discussion involved the idea of spending down the balance and discontinuing the fund. Director of Public Works Lee Dunham joined the meeting briefly and was asked if he had plans to do any maintenance or repairs on the Slate Bridge. Dunham replied that he did not at this time. O'Keefe said that Town voters could vote to change the fund next year. Bittel suggested merging it into the bridge fund where the money could be best used.

O'Keefe and Dunham left the meeting at 11:48 p.m.

SECURITIES TRADES

Bittel suggested that the Trustees discuss trades. Scaramelli said Morningstar is recommending selling AbbVie. They think it has reached its peak. Morenz said that most of revenue comes from drug Humira, and even though it is not an easy drug to copy generically, a substantial portion of their revenues come from this source. Morenz said his firm has a "Hold" on that stock. PE ratio is 12.2, fair value at 38. Current market is \$40.00. Yield is 3.9%. Morenz said he is agnostic on this stock and likes to get the latest data available before making a trade. Bittel noted AbbVie is doing better than Abbott. Bittel said that if we are going to sell one, sell both. Bittel said that the Common Fund has large allocation to cash reserves. Morenz said he wants to research further. Bittel said given the time, the Trustees can meet again and deal only with trades. Each person could come with trade recommendations. It was agreed that the Trustees will meet again soon to only discuss trades.

Bittel said there is one trade he would like to make now because of market conditions. With lower rates it is a good time to get out of longer dated bonds, and with the recent equity sell-off, it may be a good time to get into large cap, higher yielding equities. Bittel noted the Town has \$188,000 in Vanguard's mid-term GNMA Fund and \$157,000 in Vanguard's Total Bond Market Index Fund. The current portfolio is 60% stock, 34% bonds and 6% short-term reserves. Upper limit of stocks is 70% of portfolio. He recommended that the Town sell portions or a whole position buy Wellington Fund or Wellesley and/or Wellesley Fund. His preference is to make the trade now while market has taken a bit of a hit: stock values are down and bonds prices are up. Morenz said that Ginny Mae is going to remain strong. Total bond market fund has generated a decent profit. Morenz said Wellington has good money managers.

Bittel made a **motion** to liquidate the Vanguard Total Bond Market Index VBTLX entire position and move the proceeds into Wellington Fund VWELX. Second by Morenz, all in

favor. **Motion passed.** Scaramelli agreed to make the trade.

Adjournment

Bittel moved to adjourn, seconded by Morenz. Adjournment at 12:15 p.m.

Next meeting - one week from now, April 25th, Thursday, for one hour - 10 a.m. for investment considerations only.

Respectfully Submitted,

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

Beverly Bernard, Recording Secretary

Addendum 1 – Swanzey Community Enrichment Trust Proposal

**Non-Restricted Trust Fund
"SWANZEY COMMUNITY ENRICHMENT TRUST"**

- DATE OF CREATION:** April 3, 2013
INITIAL DEPOSIT: \$1,200.00 (balance of 2012 Old Home Day accounts)
- PURPOSE OF FUND:** To invest revenues realized from Old Home Day activities in projects deemed enriching to the Town of Swanzey.
- TITLE TO FUND:** All funds belong to the Town of Swanzey. In the event of dissolution of the Community Enrichment Committee, funds in the Trust shall revert to the Town.
- CUSTODIAN OF FUND:** All surplus funds realized from Old Home Days are to be placed in the Community Enrichment Trust Fund, under the management of Swanzey Trustees of Trust Funds. By "non-restricted," it is understood that principal may be expended as well as earnings derived therefrom.
- SPENDING AUTHORITY:** Decisions regarding disbursements shall rest primarily with the Community Enrichment Committee, and contingently with the Board of Selectmen. Disbursement requests shall be documented with the recorded vote of a majority of the Committee members, and minutes of the meeting.
- COMMITTEE COMPOSITION:** The Swanzey Community Enrichment Committee shall be comprised of an uneven number of members, usually five or seven. Each shall be sworn to uphold the laws, rules, and regulations expected of all Town volunteers.
- CHARTER MEMBERS:** George Blais, Ridgely Brown, Kathy Habiby, Barbara Hall, Beverly Therrien.

Addendum 2 – Recommended Trades

Day 1 - Resetting accounts			
SELL: ST FED FD	149,998.33	Income Fd	Bookkeeping Trade
BUY: Prime MMF	149,998.33	Income Fd	Bookkeeping Trade
To liquidate ST FED FD in Income Fund.			
SELL: ST INV GR FD	9,769 shs	Principal Fd	Bookkeeping Trade
BUY: ST Bond Index Fd	Proceeds	Principal Fd	Recommended
To liquidate ST INV GD FD in Principal Fund.			
Proceeds estimated at 3/31/13 value.			
Day 2:			
SELL: Prime MMF	37,538.79	Income Fd	Bookkeeping Trade
BUY: ST FED FD	37,538.79	Principal Fd	Bookkeeping Trade
To establish ST FED FD in Principal Fund at cash cost.			
SELL: Prime MMF	100,000.00	Income Fd	Recommended
BUY: ST INV GR FD	100,000.00	Income Fd	Recommended
To reinvest Income Fund accounts.			

