

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

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 9:30 a.m. Present were Chair Scaramelli, Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

MINUTES:

- Minutes of May 10, 2013 were considered. Bittel **moved** to accept the Minutes, seconded by Morenz, and all were in favor. ***Motion passed.***
- Minutes of June 12, 2013 were considered. Bittel **moved** to accept the Minutes, seconded by Morenz and all were in favor. ***Motion passed.***
- Minutes of June 27, 2013 were considered. Bittel **moved** to accept the Minutes, seconded by Morenz and all were in favor. ***Motion passed.***

REPORT OF BOOKKEEPER

Additions/Withdrawals to accounts since Q1 (April 18, 2013)

- Common Fund – Bittel reported that cash is reconciled, however two cost basis security positions need further analysis: VG Short-Term Investment Grade Bond Fund and Royal Dutch Shell RDS-A shares. The reconciliation for cash receipts and disbursements was reviewed. Trades that were authorized were all made. There were a couple of correcting entries.
- School District – No transactions; PDIP yield was down to 3 bps, ICS yield down to 25 bps.
- Town – Only transaction was receipt of Municipal Transportation Fund’s regular deposit; yields same as School District.
- Non-Restricted Funds:
 - 2nd quarter transactions included opening new accounts for Whitcomb Hall Renovation and Open Space Preservation. There were substantial receipts for both new funds as well as for the Old Home Day Fund

- Vanguard yields were over 5x PDIP/ICS yields, but suffered a small unrealized capital loss in the late June bond market sell-off. The A brief discussion was held regarding the possibility of further diversification.
- Cemetery Fund – one technical correction was made. Equity funds more than offset the losses in the bond funds. Bittel suggested that the Trustees may want to reconfigure allocations. Bittel offered for review a workup on yields of the US Treasury Market. Several 10 Year Treasury Market yield charts were reviewed.

Discussion of Bookkeeping Services

Bittel informed Morenz and Scaramelli that as acting Bookkeeper, he does upload all the files to the Town IT system each quarter, so there is an electronic trail. Scaramelli acknowledged the level of work involved in the bookkeeping activity and thanked Bittel for his volunteer work with the books. The Trustees discussed at some length the position of bookkeeper and the need to replace Bittel's volunteered services with a suitably credentialed person. The Trustees resolved to open up a position for bookkeeper for Trustees of Trust Funds. Town Administrator Shane O'Keefe was asked to join the meeting at 9:51 p.m. to discuss professional bookkeeper services. From the previous search Lynn C. Rust, CPA, would charge \$50.00 per hour and freelance bookkeepers \$25.00 per hour. Bittel said that the desire is to find someone with an investment accounting background. O'Keefe asked if the job could be done remotely. Bittel said he didn't think so.

Several possible solutions were then discussed including Charter Trust, Robert Mucha, Warren Mackenson, Lynn Rust, and Nathan Alexander. O'Keefe asked if would make sense to put out a Request For Proposal (RFP) which would not need to be circulated widely, but instead sent to five people.

O'Keefe asked if the job description could be added to existing needs at Town Hall. O'Keefe said that he needs two more people in Town Hall, but Bittel said an accounts payable clerk is not capable of doing this work. Morenz said the Trustees need a higher end accountant. The Trustees need an accountant with at least an Associate's degree, preferably a BS in accounting. O'Keefe reported that roughly \$4,000 was being carried in the budget for the previous accountant for three (3) hours per week. The Trustees agreed that is not enough. It was resolved to proceed with an RFP. Bittel offered to write the RFP. O'Keefe left the meeting at 10:17 a.m.

NEW BUSINESS

Allocations review and discussion – Common Fund – Vanguard Quarterly Statement

Note: Not all stocks within the Town's Vanguard portfolio are profiled in these Minutes; only the stocks which generated discussion or action.

- Abbott - PE is 10.92 – spin off is ABBVIE – Scaramelli said to keep them both under review. We need to keep funds in the healthcare sector. Morenz said he was comfortable with Johnson & Johnson stock and current position in healthcare sector.
- Boeing has bounced back in value from an earlier low and the Town has a reasonable position with Boeing. Other subcontractors are attractive as well. Rockwell Collins was considered. PE is 15.86. Dividend yield is 1.75. Bittel suggested Garmin. Morenz said he owns Garmin and the stock has dragged for a while. It supplies high end avionics for the general aviation market and there is a lot of competition. Garmin PE is 13.3 and dividend yield is 1.8. Rockwell Collins has been holding at price between \$50 and \$70 for years. Rockwell is at \$68 and change. No action taken.
- Bittel suggested considering adding to Conoco (COP). The Town has \$50,000 invested in Conoco at the moment. They had a spin-off which was a refining division, Philips 66. Conoco is a well-positioned company. Bittel noted that the Fund's standard position is \$75,000. Current price is \$64. Current energy sector positions: Exxon, Conoco, and Royal Dutch. Conoco dividend yield is 4.36. Chevron yield is 3.38%. It was agreed to add \$25,000 to Conoco.

Motion was made by Bittel to purchase \$25,000 in Conoco Philips (COP) stock at current pricing to increase the position in the Common Fund. The motion was seconded by Morenz, and all were in favor. ***Motion passed.***

- After discussing Deere & Co., Bittel suggested Caterpillar (CAT) PE = 11.62, yield is 2.80% which is at a low at the moment. The Trustees decided the current depressed markets provided an opportunity for long-term gains in this industrial space.

Bittel **moved** to purchase \$50,000 in stock of Caterpillar (CAT) \$50,000 at current pricing to add into the portfolio of the Town at Vanguard, second by Morenz, all were in favor. ***Motion passed.***

- Consideration of DuPont: PE= 11.7, yield is 3.30% high \$57, low \$41. Morenz said his firm has a “Buy” on the stock. Bittel said he is happy with where it is right now. We have \$50,000 right now. Morenz said he is indifferent to it. No action taken.
- Excelon (EXC) was discussed and it was noted that the stock is currently trading at a loss. It was purchased at \$29, and the current price is \$22. Energy producer is being hurt by natural gas surge. Yield is at 4.00%. PE = 28.34. Bittel said to stick with it for a while. The Town currently holds 725 shares worth about \$22,000.
- General Electric – GE – yield is 3.28%. PE=17.66. A discussion was held regarding GE stock value took some hits because of over dependence on GE Capital. Now developing greener ventures. Scaramelli suggested adding \$25,000 to the Town’s position. Bittel and Morenz both have elements they do not like about GE. Scaramelli proposed to sell GE at next meeting. Trustees will consider GE for liquidation at next meeting. No action taken.
- Intel – Balance sheet is fine, but it keeps missing its numbers. Yield is 3.70%. Fund currently holds \$52,000. Bittel said he thinks we should hold, but not add to it. No action taken.
- IBM – the Town owns about \$40,000 in shares. Yield is 2% PE=13.78. Opened today at \$198, 52 week low was \$188. High was over \$200. Scaramelli said this is time to buy for long term investment. Morenz and Bittel said that they would rather keep as is and review for next meeting. No action taken.
- JP Morgan 2.9 yield. \$130,000 is current position. No action taken.
- McDonald’s current position is \$130,000. Comfortable as is. No action taken.
- Merck valued at \$94,000. Yield is 3.7% - no reason to sell, nor add to it, recommended hold. No action taken.
- Phillip Morris (PM) – Bittel said the current position is overweight. PE=17.2; yield 3/9%, two year trend is upward. The Town currently holds \$134,000 in PM stock. Morenz suggested a sell; take off \$34,000 to bring it down to \$100,000. Bittel said to take it down to \$75,000, which give us \$60,000 to work with on the buys. Scaramelli agreed with the analysis.

Scaramelli made a **motion** to sell \$59,000 worth of shares in Philip Morris (PM) to bring its level to \$75,000 in the Town's portfolio; the motion was seconded by Morenz and all were in favor. **Motion passed.**

- Royal Dutch Shell – Morenz and Bittel that they are comfortable as is. Scaramelli noted the Trustees agreed to purge the orphan shares of this stock at the end of the year.
- TD Bank – Bittel said he is disappointed with this stock. He suggested that the Trustees review next quarter's numbers and perhaps consider selling the stock.

Consideration of Mutual Funds

- DNP – select income fund incorporated, with holding currently at \$35,000, average \$10.00 per share, yielding 7.94% according to Vanguard statement. Yield might be 4.1% - some inconsistencies in the yield. Up for discussion at next meeting.
- Vanguard Funds – Bittel said that he is okay with things as they are currently – no action taken. Scaramelli pointed to \$182,000 in Non-Restricted Fund's ICS Account at Conn. River Bank, suggesting Trustees take out \$50,000 for transfer to a Vanguard fund. Morenz said it was a good time to do it since there was a drop in the fixed income account. Trustees agreed to transfer \$50,000.

Motion by Scaramelli to move \$50,000 from the Non-Restricted Fund's Connecticut River Bank ICS Sweep Account to Vanguard, putting \$50,000 into Vanguard Short Term Investment Grade fund. Bittel seconded the motion and all were in favor. **Motion passed.**

Bittel suggested selling Vanguard Short Term Federal Fund and Total Bond Market Index Fund, Inflation Protected Security Fund, for a total of \$45,000 to be placed in Vanguard Wellesley Income Fund and Vanguard Wellington Fund, to be divided 50/50, \$22,500 in each fund.

Scaramelli **moved** to sell \$45,000 in Vanguard Short Term Federal Fund and Total Bond Market Index Fund, Inflation Protected Security Fund, and proceeds to be placed in Vanguard Wellesley Income Fund and Vanguard Wellington Fund, divided 50/50, \$22,500 in each fund. The motion was seconded by Bittel, and all were in favor. **Motion passed.**

OLD BUSINESS

East Swanzey Community House Update

Scaramelli briefly updated Morenz and Bittel regarding his review of old records of the East Swanzey Community House. In the past there had been a library on site, but the library was "suspended" in 1973 and the books donated to the Mt. Caesar Union Library. Scaramelli pointed to the fact that the Charles Carlton Trust is dedicated to the library at East Swanzey, and would therefore not be accessible to Community House. He will suggest that Community House trustees consider alternative plans for those funds, for eventual action by the Trustees of Trust Funds.

ADJOURNMENT: Bittel **moved** to adjourn, seconded by Morenz. Adjournment was at 11:49 a.m.

Next meetings scheduled for 9:30 a.m. at Swanzey Town Hall:

Q3 Review, October 17, 2013

Q4 Y/E Review, January 16, 2014

Respectfully Submitted,



Beverly Bernard, Recording Secretary