

Town of Swanzey, New Hampshire
TRUSTEES OF TRUST FUNDS
Meeting Minutes – October 17, 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 9:33 a.m. Present were Chair Scaramelli, Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

MINUTES:

- Minutes of July 18, 2013 were considered. Bittel **moved** to accept the Minutes, seconded by Morenz, and all were in favor. **Motion passed.**
- Minutes of July 30, 2013 were considered. Bittel **moved** to accept the Minutes, seconded by Morenz and all were in favor. **Motion passed.**

III. REPORT OF BOOKKEEPER - Bittel

Transactions and Balances, Q3 and YTD

Bittel began the discussion by reviewing trustee access to online statements and other documents for Connecticut River Bank (CRB) and Vanguard. Updated access documents were distributed to Morenz and Scaramelli.

Bittel broadly reviewed transactions for the quarter, which were listed in the cash receipts and disbursements pages for each fund group. Bittel noted that Carpenter Home timber harvest proceeds were specially credited to that account's Income Fund. He drew attention to Common Fund's line item "Due to/from Income Fund," which represents two trades between Income and Principal Funds that need further study. Bittel said all Fun accounts are reconciled to Vanguard and CRB 9/30/13 statements.

IV. NEW BUSINESS

a. Review of Investments

- a. Public Deposit Investment Pool (PDIP)** – Bittel noted that CRB is paying nearly ten-times the interest while investing in lower risk instruments.

Bittel **moved** to reduce the PDIP balances to the minimum level set by PDIP. Second by Morenz, and all were in favor. **Motion passed.**

- b. **Common Fund** - Common Fund statement shows an increase of value which is slight (\$7,200).
- c. **Cemetery Fund**– No transactions – compared to past investments, the investment income earnings shows the current strategy is working.
- d. **Non-Restricted Funds** - Accounts were active. The GNMA Fund took a hit. Bittel suggested re-thinking the strategy. Discussion on bonds – current percentage is 55% of non-restricted funds. Bittel suggested some sort of balance fund with the equities balancing out with the bonds. Morenz said there is no place to go, no safe haven, with bonds, given the way the market is behaving at the moment. Scaramelli said to take a three-year perspective and let the bonds ride for now. He said that the Trustees have tried to be very conservative. Bittel pointed out that the Town has \$164,000 in cash. Morenz suggested offsetting the loss in bonds by purchasing Vanguard's Equity Income Fund as a strategy. Scaramelli suggested taking some cash, approximately \$50,000, as a hedge to the bonds. Morenz and Bittel agreed.

Morenz **moved** to withdraw \$50,000 from CT River Bank ICS sweep account and invest in Vanguard Equity Income Fund, seconded by Bittel, and all were in favor. **Motion passed.**

- e. **Other** –
 - i. **Town Cap Reserves and Expendable Trusts** –Bittel reported payment for last year's Warrant Articles was made in July 2013.
 - ii. **School District** – Nothing major to report
 - iii. **Royal Dutch Shell** – Bittel said he has finally devised a recording procedure to handle the Income Fund position. It was noted that this stock has not done as well as Conoco. Discussion arose as to whether or not to sell off Royal Dutch. Morenz said there isn't any reason to sell since the Town receives a high yield in additional shares of their stock. Morenz suggested that looking at the long term perspective, the company is strong, and he would not be in favor of selling the stock. Scaramelli said he is a bit concerned about arctic exploration, but otherwise he agreed that the stock was doing well. Morenz said there is an advantage of the stock running flat in value because we are buying low and eventually the stock value will rise. Consensus after further consideration was to keep the Royal Dutch Shell stock as is for now.

Morenz **moved** to suspend the recommended annual purge of the dividend reinvestment position in the Income Fund for Royal Dutch Shell. Bittel seconded the motion. All were in favor. ***Motion passed.***

- iv. Bittel noted that he has spoken to Lynn Rust, CPA about possibilities for Trustee bookkeeping and will report back at the next meeting.

b. Town Administrator Shane O’Keefe joined the meeting at 10:42 a.m.

- a. **TTF Bookkeeping arrangements** - Discussion regarding continuing need to relieve Bittel from bookkeeping duties. Bittel said there are 3 areas in need of basic bookkeeping skills: Non-Restricted Funds and Capital Reserve Accounts and Expendable Trusts for both the Town and School District. Bittel said that the job should be a part-time job and fairly simple for anyone with bookkeeping experience. O’Keefe asked about qualifications. Bittel said that a candidate must be competent with Excel, able to reconcile a bank statement, process transactions for the Trustees and keep a check book. No handling of cash. Transactions are few in number for most accounts, but there is volume in certain Non-Restricted Funds. Bittel offered to instruct and supervise the new person during the first quarter.

Bittel went on to explain that the more complicated accounting would go to a CPA. Bittel repeated that he is scheduled to further discuss with Lynn Rust the workload involved and learn the amount Rust would charge the Town for his work.

O’Keefe asked about hours, on monthly basis, for a bookkeeper. Bittel responded that while some filing would be helpful, maximum hours by his estimation would be two hours per month. O’Keefe asked about whether it should be a CPA or employee for the bookkeeping work. Bittel responded that a CPA is overkill for this effort. Scaramelli suggested an in-house employee would be needed for two hours every two weeks. Some forms would need to be filled out for the State of New Hampshire.

O’Keefe suggested that the Tax Collector Lori Belletete might be able to add this duty to her current duties, so long as the Town auditors agreed that it would be acceptable. The work transfer would occur as of first of year 2014 and training could occur during Q4. O’Keefe suggested allocating the Tax

Collector's salary to reflect the work for the Trustees. Bittel said that he would be happy to teach the bookkeeper about securities as well, should there be interest. It was noted that the previous bookkeeper was earning \$25.00 per hour. Consensus among the Trustees was to hire Tax Collector Lori Belletete to do the bookkeeping work.

O'Keefe suggested that the Trustees plan on meeting with the Selectmen from time to time. He noted that the hiring of a CPA will cost more than \$1,000 and therefore requires Selectmen approval. O'Keefe said the Board might want multiple proposals for CPA work. Rust charges around \$50.00 per hour. O'Keefe suggested that a budget line might need to be created for a CPA to manage investments. Bittel said he would set up a noticed Trustee meeting with Rust after his next meeting with him. For budget planning purposes Scaramelli estimated that \$5,000 to \$10,000 will cover costs associated with the Trustees and bookkeeping work.

b. Board of Selectmen votes to accept contributions to Non-Restricted Funds –

O'Keefe reported that the Town auditors said contributions to Non-Restricted funds could be accepted by the Board of Selectmen in the Consent Agenda and will be done so in the future.

c. Personal Computer(PC) Refresh

O'Keefe talked about the upcoming PC refresh adding guest access to the internet. O'Keefe suggested to the Trustees that the amount approved by the Selectmen for the PC refresh be prepaid to EMF, Inc. to lower the price.

d. Town email addresses

O'Keefe addressed the need for a password from each Trustee in order to establish Town email addresses for them. Outlook can be setup for the Trustees.

c. Other

a. Municipal Transportation Capital Reserve Fund –

O'Keefe reported that as of a October 17, 2013 memo the new procedure is to make monthly deposits for the fund instead of three times a year in April, August, and December as done formerly.

b. Scaramelli reviewed and approved the Requisition Voucher for October 31, 2013 provided by O'Keefe.

c. Carpenter Home Expense

Discussion ensued regarding the Carpenter Home Common Fund expenditure for kitchen floor at Carpenter Home, with the Selectmen as agents to expend the fund.

VI. Open Discussion – market conditions, allocation, adjustments, etc.

Scaramelli reviewed sector weightings in the Common Fund portfolio, and noted the following in comparison with weighting in the S&P 500 Index:

- Consumer Cyclical and Consumer Staples, combined. are 15% of portfolio (compared with 22% of the S&P)
- Energy - we are at 17%, vs. 11% in S&P
- Finance - our positions comprise 12%, vs 15% in S&P
- Health - we are at 13% vs. 12%
- Industrials - we are at 13% vs. 10%
- Technology - we are at 11% vs. 19% - underweight
- Materials - we hold no Materials positions (3.6% in S&P)
- Telecommunications - VZ & T make up 14% of our portfolio, vs. 3.2% overweight
- Utilities - we stand at 3% (vs. 3.4%).

Discussion followed regarding possible investment ideas, with no decisions until the next meeting.

A discussion was held regarding Exelon versus Entergy (Vermont Yankee). Scaramelli said he thought that the Pilgrim plant will also be shutting down. Bittel asked if that changed anything about Exelon. Natural gas has changed much of the rationale for nuclear power. The Town's portfolio has only \$64,000 in Utilities. Scaramelli said it could be sold if it gets above \$30.00 per share. Utility exposure is modest. Morenz said discretionary consumer sector has done well this year. The Town has stock in both McDonalds and Philip Morris.

Scaramelli reviewed a list of consumer companies from Morningstar and the technology list with Morenz and Bittel and a discussion occurred around consideration of a variety of stocks.

ADJOURNMENT: Morenz **moved** to adjourn, seconded by Bittel. Adjournment at 11:51 a.m.

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

Q4 Review, Year End Review: January 23, 2014

Special Pre-Year End Meetings: TBD

Respectfully Submitted,

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

Beverly Bernard, Recording Secretary