

**Minutes of Trustees of the Trust Funds Meeting
April 10, 2023**

Wheelwright Room, Exeter Town Offices, Exeter, NH, 8:30 am – 10 am.

Attendees: Pat Curtis, Leone Atsalis, Peter Lennon, Trustees; Meeting Clerk, Mr. Lennon.

Agenda:

I. Approval of March 27, 2023, Trustee Meeting Minutes. The Trustees approved the Draft Minutes by a 3-0 vote and asked Mr. Cutis to send them to the Town Manager’s Senior Executive Assistant for posting on the Town website.

II. Reimbursement Request; Swasey Parkway Maintenance Fund Reimbursement of \$15,516.05. The Trustees reviewed a revised request from the Swasey Parkway Trustees that clearly identified that all requested funds were associated with Parkway maintenance tasks, thus making them eligible for reimbursement under Warrant Article 27 approved by the voters on March 12, 2019.

Warrant Article 27 created the Swasey Parkway Maintenance Fund for the purposes of making capital improvements and maintenance. The request was revised after the Trust Fund Trustees, at their last meeting of March 27, 2023, questioned whether the originally requested reimbursement for personnel costs and utilities fell within the Warrant Article’s permitted funds usage.

Based on the revised request, the Trust Fund Trustees approved the full reimbursement of \$15,516.05

III. Draft Goals and Objectives. The Trustees discussed at length the Draft 2023 Goals and Objectives. Mr. Lennon stated that the Trustees should consider whether to brief the Select Board (SB) on the finalized Goals and Objectives either as a matter of courtesy or to obtain the SB’s approval of them.

Public Meeting Schedule. The Trustees decided to meet publicly as needed to discuss Trust fund withdrawals and reimbursement requests, as opposed to meeting regularly every calendar year quarter regardless of whether there was any business to transact. They decided it was unnecessary to meet to discuss bank deposit actions, which will continue to be done by either the Lead Trustee or the Bookkeeper.

Requiring More Detailed Justifications for Reimbursement Requests. The Trustees decided to continue, as needed, requiring more detailed justifications for reimbursement requests to verify voters’/donors’ intent for funds, especially when the historical record of trust fund creation or donor bequest may be unclear or fragmentary.

Later in the meeting, the Trustees decided they would be inclined to strictly apply to reimbursement requests the terms of any warrant articles creating trust funds and donor bequests to ensure that such requests comply with voter/donor actions.

Analyzing Trust Fund Balances/Cash Flows. The Trustees decided, in view of other more pressing tasking requirements, to lower the priority of analyzing trends in trust fund balances and cash flows to inform the Select Board, Town Manager, and the Budget Recommendations Committee about annual appropriations/replenishment needs.

Ms. Atsalis said it was a higher priority for the Trustees to consider how to grow the trust fund balances. Mr. Curtis and Mr. Lennon agreed but suggested that the trend analyses still would be helpful to determine whether additional taxpayer funds, and in what amounts, are required annually to replenish various trust funds, or whether some portion of unexpended general fund balances might be returned to the taxpayers as opposed to being re-allocated to various trust funds.

Process Reimbursement Requests. The Trustees agreed that reimbursement requests were an important core function of the Trustees of Trust Funds.

Review or Revise Current Investment Policy. The Trustees understand that the current investment policy may not have been updated since 2010, except for replacing Trustee names on the policy in 2016. They agreed that the current investment policy must be revised not only to reflect a change in Trustees but also to remove references to People’s United Bank. People’s United Bank was acquired by M&T in 2022, and Exeter’s trust fund accounts transferred to M&T Bank in September 2022.

The Trustees agreed that any investment policy should strike a prudent balance between returns on investments and minimizing risks to the trust funds. As an example of striking a balance, Mr. Curtis suggested the Trustees might consider placing some investments in non-liquid, income-generating assets as well as in liquid assets such as a money market account.

The Trustees discussed the two overarching investment principles established in NH law: the “Prudent Man” standard of investment (NH Revised Statutes Annotated (RSA) Section 31:25-b) and the “Prudent Investor” standard of investment (RSA 31:25-d).

The former states that “a prudent investment is one which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived therefrom.”

The latter would appear to allow more flexibility in terms of acceptable investments for trust funds, but it also requires that the Trustees “hire or employ the trust department of a bank or a brokerage firm to provide investment advice and assistance.” Under NH law, any expenses for an investment advisor shall be charged against the trust funds involved and identified and reported in the Trustees annual report.

Ms. Atsalis pointed out that the Town’s voters at a Deliberative Session and Town Election may have to approve, directly or indirectly, the hiring of a Trust Funds investment advisor. (After the meeting, it was determined that it may be necessary to consult with the NH Department of Revenue Administration, and Town and School District Attorneys to obtain further guidance on this question.)

The Trustees agreed that, if they determined that hiring an investment advisor was prudent, they would consult with the Select Board and School Boards as to the necessary wording on warrant articles that would go before the voters early in 2024.

Ms. Atsalis volunteered to lead the effort to re-examine and revise the Trustees investment policy, which, among other tasks, would include examining the Trustee investment policies in other NH cities and towns similar in size to Exeter, examining Exeter's overall investment policy as crafted by the Select Board, and interviewing senior Trustees from similar cities and towns about the considerations embodied in their investment policies.

Ms. Atsalis observed, and the Trustees agreed, that they should complete their investment policy deliberations before considering alternatives to M&T Bank (addressed later in these Minutes), since revisions to the investment policy might affect the quality of investments sought and the reporting capabilities provided by the banks.

The Trustees also agreed to consult with the Select Board, Cemetery Trustees, Library Trustees, the Exeter School Board, the Exeter Region Cooperative School District School Board, and the Swasey Parkway Trustees as they considered revising the Trust Funds investment policy as these entities' trust funds all would be affected by an investment policy change.

Review Banking Relationship and Explore Alternative Financial Institutions. Mr. Lennon and Mr. Curtis reviewed for Ms. Atsalis their initial efforts in late 2022 to examine banking alternatives. They reported on their joint outreach to Citizen's Bank, Mr. Curtis' contact with Kennebunk Savings Bank, and Mr. Lennon's contact with Northeast Credit Union and research into other banks.

Mr. Lennon said that improvements in M&T Bank's financial data reporting have occurred, which made it less critical to move quickly to examine banking alternatives. The Trustees decided that, when they resumed their outreach, they would focus on Citizens Bank, Kennebunk Savings Bank, TD Bank, Bank of NH, Santander, Service Credit Union, the NH Public Deposit Investment Pool, and any brokerage arrangements that might be developed during the revision of the Trustees' investment policy.

Consider Adding Content to Trustees Website. The Trustees discussed supplementing the minimal information currently on their webpage on the Town official website. After reviewing at least one other Town's Trustees webpage, the Exeter Trustees decided to add the following information to their webpage:

- 1) A list of Trustees' names, along with the phone number of the Lead Trustee (Mr. Lennon) as the Trustees' principal point of contact.
- 2) The warrant article library and supporting documents now being assembled by the Trustees.
- 3) Final Minutes of Trustee meetings.
- 4) Trustees 2023 Goals and Objectives when finalized and briefed at least to the Select Board.
- 5) Trustees monthly and annual financial data reports.

Mr. Lennon volunteered to work with the Town's Information Technology Department to implement these additions.

Locate and Compile all Town and School Warrants and Bequest Instruments as a Library of Voters'/Donors' Intent. Mr. Lennon reported that the Trustees have gathered all voter approved town warrant articles creating trust funds from 2006-2023, some Town warrant articles from 2005, lists of town and school warrant articles from the NH Attorney General's (AG) Charitable Trusts Unit (CTU) and the NH Department of Revenue Administration (DRA), a few school warrant articles and other supporting documents, and an Exeter Public Library memorandum on Library warrant articles.

Mr. Lennon is working with the Exeter Public Library to research further various town and school warrant articles.

Interview Chairs/Members of Trustees of Trust Funds in Neighboring/Similar Municipalities. Mr. Lennon said he would distribute to the other Exeter Trustees the latest (2021) population data from the NH Department of Business and Economic Affairs. The data identify 10 cities and towns statewide that are roughly comparable in population size to Exeter.

The Trustees will address at their next meeting how many of these municipalities, and others in NH, might be the best for them to interview their counterpart Trustees.

The Trustees also agreed that they each should ask their interviewees the same questions, and Mr. Lennon said he would circulate a notional list of questions to which the Trustees could add or subtract as the basis for the interviews. Mr. Lennon suggested that the topics to be covered in these interviews should include investment policies, banking alternatives, operational procedures, and the regularity of meetings.

Compile all NH RSA's and Court Cases governing Trust Funds Trustees. Mr. Lennon stated that the Trustees are in the process of compiling relevant NH RSA language and will continue those efforts.

Renew Working Relationships with the NH AG's CTU and DRA Municipal and Property Division. Mr. Lennon reported that this task has been accomplished.

Reach out to Exeter Cemetery and Library Trustees to Revalidate Current Relationships. The Trustees ran out of time before they could discuss this topic, and it will be on the agenda for the Trustees' next meeting.

Examine/Organize Exeter Trust Fund Trustees Records in the Town Clerk's Office and in Concord at the AG CTU and DRA. The Trustees ran out of time before they could discuss this topic, and it will be on the agenda for the Trustees' next meeting.

IV. Trustees Leadership. The Trustees unanimously elected Mr. Lennon as the "Lead Trustee," and Mr. Curtis conditionally volunteered to assume the statutorily required position of Trustee "Bookkeeper." The Bookkeeper is the Trustee who conducts on-line and in-person banking (both deposits and withdrawals/check writing) and prepares the monthly Trustees reports to the four major trust fund claimants (Town, Library Trustees, and the two school boards).

The Bookkeeper is paid \$828 annually, and Mr. Lennon was paid this amount as the Acting Bookkeeper in 2022. The Trustees discussed the disposition of the 2023 funds. Mr. Lennon said his initial thinking was that each Trustee should receive one-third of these funds, but that this proved administratively cumbersome as it required each Trustee to become a Town employee.

Mr. Curtis asked whether the funds could be used for monthly and annual accounting services that might improve the currently burdensome process of creating the monthly and annual Trustee reports. Mr. Lennon will email Mr. Curtis the latest “raw data” report from M&T Bank as well as the latest report to the Town of Exeter in order for Mr. Curtis to examine the feasibility of using Quickbooks.

The Trustees happily agreed with Mr. Curtis pursuing this matter.

Mr. Lennon also said he would consult with M&T Bank’s Relationship Manager for Exeter to ensure that Mr. Curtis has all the necessary clearances to accomplish online and in-person banking as the Trustees Bookkeeper.

Mr. Lennon also said he would discuss with the M&T Relationship Manager whether there was an automated process for decrementing the 75 Cemetery Trusts Funds and 11 Library Trust Funds to produce the Annual Interest Earned Checks for the Cemetery and Library Trustees.

V. Trust Fund Voter Intent and Meeting with DRA Representatives on Tuesday, April 11, 2023. Mr. Lennon reported that he and Exeter Finance Director Corey Stevens would be meeting with NH DRA representatives the next day to discuss the issue of determining voter intent regarding the Parks Improvements Capital Reserve Fund created in 2019, whether statutory or regulatory definitions exist for “capital improvements” and “maintenance” and “repair” projects, and if a Select Board, acting as the CRF’s executive agents named by the voters can expand the definition of “capital improvements” to include “maintenance” and “repair” projects to be funded through the fund.

The Trustees stated that, until there was a voter-approved wording change to the current voter-approved wording limiting Parks fund projects to capital improvements, they would be inclined to follow a strict and commonly recognized interpretation/definition of capital improvements that likely would exclude projects commonly regarded as maintenance and repair.

Mr. Lennon said he would report back to the other Trustees about the meeting with DRA.