MEMORANDUM TO: Town Council

FROM: Trustees of Trust Funds

SUBJECT: Trustee’s 2018 Annual Report to Council

DATE: November 4, 2018

References:

In preparation for the meeting the Council is requested to read the Trustee’s Investment Policy at: <https://www.ci.durham.nh.us/boc_trustees/trustee-investment-policy>.

Accomplishments:

1. Operation of Investment Account: The reserves and trusts in the custody of the Trustees continue to be invested with People’s United Advisors, Inc, a division of People’s United Bank. We are pleased to report that the income from reserve and trust investments for 2018 was $76,910.00, a yield to the end-of-year market value of 2.21%. The end-of-year market value reflects capital gains, additions and withdrawals made during the year so the actual return was a bit higher. Part of this income was spent for the purposes of the various reserves and trusts, and the remainder was accumulated to the balances of the reserves and trusts. The income for 2019 is estimated to be higher than last year. Market value of securities held at year-end 2018 declined by $109,809 due to the rise in interest rates (bond capital value varies inversely with interest rates) and the general decline in equity markets. With the advice and assistance of the investment advisor we managed to avoid having to sell capital assets at a loss, making this loss in market value an unrealized (paper) loss which has been eliminated by this year’s market action. The market value of the portfolio at 30 September 2019 was $4,018,664.46, which includes an increase in market value of $128,615.93 during 2019. The attached chart illustrates the growth of capital value in the capital reserves portfolio since inception, and the profile it shows is virtually identical to that of the other portfolio groupings. During the year, the duration of interest-bearing holdings has been decreased without a significant loss in income, thereby decreasing the risk of sales at a loss before security maturity. During the third quarter the equity exposure of the portfolio has been reduced in response to concern for risk of market weakness. As always, it is important to keep in mind that investment results are dependent on the investment markets, and that future results are dependent on being able to adjust to future market conditions. The Trustees have adopted a conservative investment policy with the primary goal of preserving the ability to carry out the purposes of the Town’s reserves and trusts.
2. Continuing to Improve Management of Doe Farm: We continue to be part of the Land Stewardship Sub-Committee which is managing the Town’s conservation interests, which includes Doe Farm, to define the issues which are important to the future of Doe Farm as a community asset. A great deal of work has gone into widening the recreational uses for the farm in the future, while maintaining its primary focus as a tree farm. The work on the invasive species removal plan, which is a necessary precursor to harvesting timber, will continue into next year, and will impact potential future uses. We believe that programs we are helping to carry out will incorporate existing stewardship/management plans, the will of Mr. Doe, and Town needs.
3. Continuing Our Transparency Efforts: The Trustees have a good record of timeliness in posting agendas and minutes. We have generally been able to respond promptly to communications from residents. We believe we have good coordination and cooperation with Town departments/committees. We meet on the 4th Friday of each month, although we may cancel a regular meeting if there is no business to conduct. We typically meet at Young’s Restaurant, on Main Street in Durham, at 7:30 AM, in the morning. We hold 2 meetings each year in Town Hall. Our meetings are open to the public, Both Young’s and Town Hall are easily accessible to all and there is ample room for anyone to attend.
4. Continuing to Improve Record Keeping: We have begun reviewing records which show how, when and why the various funds in our custody were established, and have eliminated a considerable quantity of out-of-date and unnecessary paperwork. The work in this effort is large and complicated, and will require more time to complete.
5. Working with the Department of Public Works. We have continued our excellent and productive relationship with Mr. Lynch, Director of Durham DPW. His cooperation, perspective and support are a major part of our efforts to carry out the purposes of many of the trusts we administer.
6. Investment Policy. After examining the Town’s annual audit report the Trustees have determined to expand our policy to include a statement on risk control and to clarify our performance indices. The Trustees adopted the revised policy during our 27 September 2019 meeting. As required by law, the Trustees forwarded the revised policy to the NH AG’s office. (See Trustee’s web page for the policy).
7. Internal Controls Policy. Last year the Trustees revised the previous Internal Controls Policy and adopted the revised Internal Controls Policy at our 29 June 2018 meeting. This policy was reviewed and re-adopted at our 27 September 2019 meeting. (See Trustee’s web page for the policy).
8. Investment Holdings. Monthly bank statements listing all holdings are on file in the Town Business office and also available to read from any Trustee.

The Future:

1. We will seek to continue our efforts to be prudent custodians of the funds entrusted to us, while seeking sound returns on the investment of these funds.
2. We will seek ways to expand and improve our inter-relationships with other Town departments and bodies.
3. At present the Trustee’s paper records are being reviewed, organized and properly stored. While this work effort has been listed for several years, we have been able to make only partial success on it so far. We will continue to our efforts to complete this work.
4. We will continue to work on those projects/issues shown above which are “continuing”.
5. We will work toward establishing an “alternate Trustee” position to assure continuity in Trustee membership.

Attach:

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