

2002

⌘ TRUSTEES OF THE TRUST FUNDS ⌘

The Board of Trustees is responsible for over \$16 million in Town trust funds and capital reserve funds (CRF). The long-standing investment policy of the Trustees places the portfolio in safe investments, e.g.: insured, fully collateralized, or U.S. Government or Agency securities. Thus, the stock-market sell down that began in 2000, in which hundreds of billions of dollars of value in pension, college, charitable and other trusts was lost, did not result in lost principal value in the Town's trust funds of CRF's. The principal was and is, therefore, available to earn revenue each year to reduce the property tax rate. The Trustees did, however, encounter the lowest interest rates for fixed-income securities in nearly a half century.

The Town's largest trust, the Real Estate Trust Fund earned about \$650,000 in 2002; for each of the past two years, its earning reduced the tax rate about fifty cents per thousand assessed valuation, saving taxpayers about \$100 on each \$200,000 of valuation per year. As the voted budgets and total taxable property has increased over the years since 1984 with the RETF was first funded, the revenue per \$1,000 in valuation has been diluted. The fund has never been invested in state or municipal bonds or notes as their Federal income-tax exemption means they can be offered at lower interest rates than the Trustees can earn with the same principal fund in the open market. Since the Town Trustees do not pay income tax on the trust's income such investments would violate the Trustees' investment policy of maximizing income for the Town within the safety-of-funds factor.

The three-year investment, accounting and reporting services contract (RETF) with Banknorth Investment Management Group was renewed in October after request-for-proposals submissions were received and analyzed by the Trustees. By the end of the year, \$849,000 was due from the Town for its sale of seven lots of leased land and two parcels of previous or current rights-of-way. During the year, amounts are received representing payments on Town-financed leased-land sales and payoffs on those mortgages. Of the original 100+ Town-held mortgages, as of mid-December only six remain outstanding. The RETF will continue to grow upon the sale of the remaining 47 lots of land out of an original total of 650 (most of which were sold at 30% of fair market value, per the original Town vote in 1982).

The Trustees continue to manage the smaller and older trust funds and capital reserve funds including: Cemetery Burial; Perpetual Care/Cemetery (71 individual trusts); "Poor" trusts; Lane Memorial Library trusts (except the one held by Library Trustees); Campbell Children's Sports Scholarship; and CRF's for Town Roads Reconstruction, Town Computer/MIS/Technology; Hampton Beach Village District Capital Expenditures; Hampton Beach Village District Fire Apparatus Replacement.

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Robert V. Lessard, Chairman
John J. Kelley, Sr., Clerk
Glyn P. Eastman, Bookkeeper
Arthur J. Moody, Administrative Coordinator