

Trustees of the Trust Funds

During 2009, the Trustees of the Trust Funds met eleven times. The Trustees welcomed new trustees Edward R. "Sandy" Buck and Norman Silberdick. The Trustees thanked former trustees Frances Quinn and Edward "Ted" Atwood for their service as trustees. The Trustees mourned the passing of long-time trustee John J. Kelley, Sr. on September 13TH.

The most significant trust fund in Hampton is the Real Estate Trust Fund, whose main purpose is to provide income to reduce the tax rate in Hampton. The investment policy of the Fund has a target asset allocation of 40% equities (stocks) and 60% fixed income (bonds and cash). The purpose of this balanced asset allocation is to provide an opportunity for the principal of the Real Estate Trust Fund to grow to offset the eroding effects of inflation.

The Trustees distributed four quarterly disbursements of income to the Town from the Real Estate Trust Fund to reduce the tax rate. The total distributable net income on a cash basis was \$466,105.

During 2009, the Real Estate Trust Fund experienced very difficult market conditions due to the recession. There was considerable trustee discussion during the year regarding the Real Estate Trust Fund target asset allocation of 40% equities and 60% fixed income (bonds and cash). Ultimately, there were no changes made to the asset allocation.

Despite the adverse economic environment, the Real Estate Trust Fund provided a yield of 3% based on the beginning principal balance of the Fund on

January 1, 2009. The income was \$209,713 less than the income in 2008.

No leased-land property sales occurred at Hampton Beach during the year.

The market value of the Real Estate Trust Fund rose from \$14,161,615 to \$15,092,977, an increase of \$931,362. At year end, the Real Estate Trust Fund allocation to equities was 39.9%, which is within the allowable range of 25% to 45% specified by the Investment Policy. Further increases in the market value are expected to occur as the global markets continue their recovery.

The investment advisor to the Real Estate Trust Fund was TD Wealth Management Group, a division of TD Bank.

The Trustees also manage eight categories of smaller trust funds, including: the Cemetery Burial Trust Fund, the Cemetery Perpetual Care Trust Funds (71 individual trust funds), the Lane Memorial Library Trust Funds (four trust funds), the Campbell Sports Scholarship Trust Fund, the Poor Trust Funds (three individual trust funds), the Winnacunnet School District Special Education Trust Fund, the Winnacunnet High School Building Maintenance Fund and the AED Trust Fund.

The Winnacunnet School District Meeting voted on March 10, 2009, to raise and appropriate \$50,000 to be added to the Special Education Trust Fund created during 2007. This is an expendable trust fund to educate educationally-disabled children. There was no actual contribution from the SAU #21 Fiscal 2009 year-end unreserved fund balance. No disbursements from the Fund were made in 2009.

The Winnacunnet Cooperative School District Meeting voted on March 10, 2009, to create a new expendable trust fund, named the Winnacunnet High School Building Maintenance Expendable Trust Fund. The sum of \$25,000 was delivered to the Trustees and deposited in the Fund in October. This expendable trust fund can be disbursed by the School Board upon their vote. No disbursements from the Fund were made in 2009.

Interest income of \$5,893 from the Cemetery Burial Trust Fund was distributed to the Town for cemetery maintenance. The Town added \$38,650 to the Cemetery Burial Trust Fund from 2008 cemetery revenue.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$35) was added to the principal of the Fund, per the provisions of the trust document. The other half (\$35) was distributed to the Recreation and Parks Department.

In addition to the Real Estate Trust Fund and the smaller trust funds, the Trustees also manage six capital reserve funds: three Hampton Beach Village District capital reserve funds, the Town Management Information Systems capital reserve fund, the Town Roads capital reserve fund, and the Department of Public Works (DPW) Equipment Capital Reserve Fund.

There were three disbursements from the DPW Equipment Capital Reserve Fund: A 23-passenger bus was purchased for \$7,500, a vacuum street sweeper was purchased for \$180,000 and a sidewalk tractor with blower was purchased for \$96,120.

There was one disbursement of \$300,000 from the Town Roads Capital Reserve Fund for road paving in Town.

There were no additions or distributions from the Hampton Beach Village District Capital Reserve Funds.

Due to the declining rates at the New Hampshire Public Deposit Investment Pool, the Trustees voted unanimously to invest the smaller trust funds and capital reserve funds (with the exception of the Lane Memorial Library Trust Funds and a portion of the Cemetery Burial Trust Fund) in the Vanguard Prime Money Market Fund during 2009. Sub-accounting for each of the funds was maintained by the Bookkeeper and reported to the Trustees at each meeting.

The total value (after expending 2009 income) of these smaller trust funds and capital reserve funds (non-real-estate funds) at the end of 2009 was \$679,694. The average annualized yield on these funds during 2009 was 2.6%.

The global economic crisis depressed interest rates to unprecedented levels worldwide. The Trustees were challenged to maintain the income of the non-real-estate trust funds and capital reserve funds while at the same time keeping the funds conservatively invested. Fortunately, inflation for 2009 was relatively low.

The Trustees transferred \$325,000 of the Cemetery Burial Trust Fund from the Vanguard Prime Money Market Fund in April to a 2-year CD earning 2.05% to improve the cemetery income. The CD was fully collateralized with a letter of credit for the amount above the FDIC insurance limit of \$250,000.

The Library Trustees authorized the Trustees of the Trust Funds in March 2009 to move the four library trusts from the Vanguard Prime Money Market Fund to a new Fidelity Balanced Fund account to improve the long-term investment return for the Lane Library. The initial investment of \$7,664 deposited in June grew to \$8,807 at year end after income of \$189 was distributed to the Library. Capital gains of \$1,170 were noted at year end.

The Trustees discussed the plight of the three Poor Trusts comprising a total of \$530. The only way to obtain some growth in the Poor Trust Funds is for one or more philanthropically-oriented citizens to create additional trusts designated for the worthy poor of Hampton such that the overall capital in the common fund would be larger to allow for a better investment strategy.

The Board of Selectmen voted on August 31, 2009, to establish an Automated External Defibrillator (AED) Expendable Trust Fund. The purpose of the Fund was to put an AED in each of the six Hampton Police Department patrol cars. The sum of \$6,845 was deposited in September as the initial funding.

The Trustees maintained the Trustees of the Trust Funds web site to keep the citizens of Hampton informed about the trust funds and the capital reserve funds, and to provide complete transparency under RSA 91-A (Right-to-Know Law). The web site is: www.hamptontrustfunds.org. The web site features a page for each trust fund and capital reserve fund. The web site also lists the next meeting date and the agenda for the next meeting. Copies of past meeting minutes may be downloaded from the web site. Applicable state laws (RSAs)

are listed on the web site for easy reference.

At the request of the Board of Selectmen, a new Real Estate Trust Fund table was added to the website to show the quarter-end market value and the cash basis income received for the quarter.

Under RSA 91-A:2, a public body, such as the Trustees of the Trust Funds, may consider the body's website as meeting one of the two required posting locations for trustee meetings. Although this allowance would eliminate the need to post the Trustees of the Trust Funds meeting notices in one of the two physical locations, the Trustees voted, in the interest of transparency and responsiveness to the citizens of Hampton, to maintain two physical posting locations (Town Office Building and Lane Memorial Library) as well as the Trustees' website.

Correction to the 2008 Town Report:

The spreadsheet showing the principal and income for the trust funds and capital reserve funds in the 2008 Town Report was incorrect. The correct 2008 spreadsheet is contained in this 2009 Town Report, along with the 2009 spreadsheet.

Respectfully submitted,

Robert V. ("Vic") Lessard, Chairman
David W. Hamilton, Vice Chair & Clerk
Warren J. Mackensen, Bookkeeper
Edward R. ("Sandy") Buck
Norman Silberdick