

**Town of Rockport
Investment Committee**

Minutes of Meeting

**Tuesday, October 29, 2013 - 4 p.m.
Richardson Room – Rockport Town Office**

In Attendance:

Committee Members

Robert Campbell, Chair
William Freeman, Jr., Vice- Chair
Jerod Cronkite

Select Board Liaison

William Chapman

Finance Director

Virginia B. Lindsey, acting recording secretary

Other

Lowrie Sargent, Maine Asset Management

1. Meeting Called to Order

Chair Campbell called the October 29, 2013 meeting of the investment committee to order at approximately 4 p.m.

2. Minutes Approved – April 30 and July 22, 2013

Committee members unanimously voted to approve the minutes of April 30, 2013 and July 22, 2013 as presented.

3. Old Business

a. Membership Discussion

Again committee members suggested that Beth Winters and Barry Preble be contacted about possibly joining the investment committee. Jerod Cronkite reported that he had spoken to Dennis Norton about joining the committee, a local CPA; but Mr. Norton had too many other commitments at this time.

b. Secretary Election Postponed

Virginia Lindsey agreed to continue as the recording secretary for the committee until such time as the committee was at a full complement of members.

c. Review of Cemetery Budget

The committee looked at the current cemetery budget, noting that interest from the cemetery investment account had been used in the past to help offset operating costs for

the cemeteries budget. V. Lindsey informed the committee that the cemetery committee hoped to purchase a cemetery software package next year for about \$3,500, and suggested the investment committee might recommend use of interest from the cemetery investment for this purchase in the FY 14-15 municipal budget.

- ❖ Without too much discussion a motion was made and seconded that the investment committee recommend to the town manager and select board, the transfer of \$3,500 from the cemetery investment account to pay for the cemetery software in the next fiscal year. The motion carried without opposition.

J. Cronkite suggested the investment committee look at the consistent use of the funds for the cemetery, as it would be good for the taxpayers to be able to use some of the interest earned on the cemetery investments. The committee also briefly discussed the possibility of allocating annually four percent (4%) to the support of the cemeteries.

The committee also asked that there be a review of the cemetery investment account to determine how much of the principal had been dipped into several years ago; and where the account now stood in terms of the principal and interest available. V. Lindsey indicated she would research this issue and report back to the committee.

4. New Business

a. Maine Asset Management – Lowrie Sargent Vice President

Mr. Sargent provided the committee with a letter of introduction prior to the meeting. He then met with the investment committee and spoke about Maine Asset Management's desire to help the town in managing its investments, as well as looking at the Weidman Health Care Trust to determine if the structure of the trust could be amended by the court to enable residents to gain access to the funds.

Mr. Sargent reported that the Maine Asset Management company was based in Bangor; was a four year old company; and custody of their accounts was through Charles Schwab. He provided the group with his personal background information, and talked about the investment portfolio and suggested investments in bonds for a longer duration – as much as 10 years. He also suggested that after looking at the town's investments, there was one fund that appeared to deviate from the town's policy of only having domestic or Canadian investments; one bond was a non-domestic German government owned development bank – KFW Bankengruppe.

The committee agreed with Mr. Sargent's assessment of the policy, and noted that they had planned on reminding Bar Harbor Trust Services of the town's policy on investing in domestic or Canadian investments only.

In terms of the Weidman Health Care Trust Mr. Sargent suggested he would be willing to work gratis for Rockport with the town's attorney in having the Probate Court review the terms of the Trust to find out if the funds could be made more readily available to town residents. Committee members noted that the Trust was designed to be used only after

other avenues of funding had been exhausted; therefore, there would probably not be a great outpouring of residents in need of the Trust funds.

Mr. Sargent also suggested that Maine Asset Management would be willing to take over the town's investment portfolio based on a fee of 0.75%, which was less than the rate currently charged by BHTS. However, Chair Campbell informed Mr. Sargent that the committee had discussed the fees charged by BHTS, and because of the performance of the investments the committee was satisfied with the town's relationship with BHTS at this time. In addition Mr. Sargent was advised that should the committee recommend to the town to change its current relationship with BHTS, then Mr. Sargent would be more than welcome to submit a proposal under the terms of the town issued RFP process.

Chair Campbell also advised that it was the committee's job to make certain that the investments did not take excessive risks; currently a 10 year bond was too unpredictable and therefore the current 3 to 5 year bonds were a better purchase at this time for the town. It was also noted that according to the town's policy all bonds had to be of an "A" rating; BHTS has gotten away from that recently, but they would be reminded of the town's policy.

J. Cronkite asked Mr. Sargent if MAM had a CFA on staff. Mr. Sargent responded by saying they did not have a CFA on staff; they were not a large enough firm. J. Cronkite remarked that BHTS did have a CFA on staff; and Chair Campbell acknowledged that he was a CFA and worked for a large company that handled a great deal of money.

Chair Campbell thanked Mr. Sargent for his letter, and for meeting with the committee. He suggested that Mr. Sargent keep in touch and also said he was welcome to attend the quarterly meetings of the committee should he choose to do so.

Mr. Sargent then left the meeting.

b. General Discussion

The committee discussed their disappointment in BHTS decision to purchase the foreign bond. It was noted that according to policy the investments were required to be single "A" or better – and domestic or Canadian.

The committee discussed taking the cash out of the investment account, because BHTS was charging 1% to manage the cash portion of the portfolio, which was not different than the fees assessed the other investments, but the cash part of the account required less oversight. It was suggested that the cash would then be better placed in a local bank gathering simple interest and have the town manage the cash. It was further noted that the town's policy did not mandate that BHTS be awarded all funds to manage; rather, the town's policy required a certain percentage to be invested and another percentage to be held in cash – and the town had the option of hiring a manager to manage the funds. The town could do that on its own rather than have BHTS manage the cash.

- ❖ Chair Campbell then moved to recommend to the town manager (town treasurer) that the town leave 60% of the town's assets with BHTS, and 40% (cash and bonds to be liquidated) would be withdrawn for deposit until such time as the market changes. Seconded for discussion.

The committee further recommended that \$100,000 of the cash and liquidated bonds from the investment fund should be used to procure a one year certificate of deposit (CD); the remaining funds should be placed in accounts of \$50,000 each. V. Lindsey informed the committee that she would contact a minimum of three local banks and have the funds deposited wherever she was able to get the best interest rate, should the town manager and select board vote to take charge of the cash portion of the investments.

- ❖ When a vote was taken on the motion, the motion carried without objection.

Wm. Chapman stated he would take this matter to the select board at their November meeting, after receiving the recommendation from the town manager (who also serves as the town's treasurer).

5. Next Meeting Scheduled

The committee chose to schedule its next quarterly meeting for Tuesday, January 28, 2014 at 4 p.m. The meeting will be held in the Richardson Room at the town office building, 101 Main St., Rockport. Should Chair Campbell be unable to attend the meeting in person, he indicated he would be available via conference call.

6. Meeting Concluded

The October 29, 2013 meeting of the Rockport Investment Committee concluded at approximately 5:07 p.m.

Virginia B. Lindsey, Acting Recording Secretary