

TRUSTEES OF THE TRUST FUNDS
CITY OF PORTSMOUTH, NEW HAMPSHIRE
MINUTES OF MARCH 16, 2017 MEETING

A regular meeting of the Trustees of the Trust Funds for the City of Portsmouth, New Hampshire was held on March 16, 2017 in Conference Room A at Portsmouth City Hall. The meeting was called to order at 7:33 a.m.

Present were Trustees Phyllis Z. Eldridge and Thomas R. Watson. Also participating by telephone was Trustee Dana S. Levenson. Also present were David Moore, Judith Renaud, Kathleen Dwyer, Peter Robbins and David Hines.

Scholarship checks were reviewed and signed.

The minutes of the February 23, 2017 meeting were reviewed. Upon motion duly made and seconded, the minutes were approved.

Ms. Dwyer addressed the Trustees in support of the recommendations set out in her memorandum of February 17, 2017 with respect to amending the Trustees' policies governing the acceptance of scholarship funds. She noted that, currently, the Trustees oversee forty-six scholarship funds, seventeen of which made no distributions in FY 2016 because the levels of principal in the funds were insufficient to generate enough earnings to fund annual scholarships. According to 2016 figures, this amounts to over \$220,000 which generates no scholarships because the individual funds cannot be combined for purposes of distributions.

Ms. Dwyer proposes that the Trustees establish a number of new scholarship funds (possibly four or five), with more general designated purposes into which new scholarship contributions can be channeled and smaller existing funds can be merged. In her opinion, this would allow for more meaningful scholarships in the future and offer donors a vehicle in which amounts collected can be put to an actual award of scholarships much faster. Ms. Dwyer acknowledged that any merging of existing scholarship funds will require the consent of the fund donors or a *cy pres* action. Ms. Dwyer noted that the New Hampshire Charitable Foundation adopted a similar policy change concerning scholarship funds some time ago. A question and answer period thereafter ensued.

Ms. Eldridge expressed concern about the loss of individual recognition by donors if their contributions were placed into a pooled fund. Mr. Moore stated that he views the proposal as twofold. The first concerns the establishment of scholarship funds in the future. The second concerns dealing with the existing smaller scholarship funds. Mr. Watson concurred and suggested that the Trustees should focus initially on developing a new policy which will offer donors three options.

1. Contribute a minimum sum which is sufficient to fund a minimum annual scholarship, in which case, the donor may establish a new "named" fund;
2. If the proposed contribution does not meet the minimum, allow the donor to establish a "named" fund that will pay out a minimum annual scholarship amount using the principal as well as interest until the fund has been fully depleted; or

3. If the proposed donation does not meet the minimum, permit the donor to designate one of the newly developed pooled funds for the donation.

In addition to creating the pooled funds, the policy would establish the minimum contributions and the minimum annual scholarship.

After further discussion, the Trustees, upon motion made and seconded, resolved to request that Ms. Dwyer prepare a written proposed policy consistent with the Trustees discussion for review at a future meeting.

Mr. Robbins and Mr. Hines appeared on behalf of H.M. Payson. They began their presentation by providing an overview of the 2016 performance. Mr. Hines noted that the combined funds' performance beat the benchmark by .2% and were up over 10% for the year. Mr. Hines also distributed and led a review of a Current Attribution Summary for the combined portfolios.

Mr. Hines and Mr. Robbins thereafter shared their observations and opinions with respect to the financial markets generally and the trust funds' anticipated performance in 2017. In their opinion, the 2016 election has caused the markets to re-set. With respect to the Trustees' portfolio, they opined that the high-yield equity funds are slipping. They also have concerns about equity valuations but believe that the equities in the trustees' portfolio are still out performing bonds. Nonetheless, they had two recommendations for the Trustees.

1. That the Trustees increase that portion of their portfolio in emerging markets stock ETFs from 4% to 6%.
2. That the Trustees reduce their holdings in government bonds and increase their holdings in corporate bonds.

Specific proposals were made with respect to each recommendation.

Mr. Hines reported that these changes will likely decrease available income in the Josie Prescott Fund but will better position the portfolio in the market. After a period of questions and answers and further discussion, upon motion duly made and seconded, the Trustees unanimously approved the recommendations and instructed HM Payson to proceed with the purchases and sales recommended.

Ms. Renaud provided an overview of recent activity with respect to the certificates of deposits held by the Trustees. She noted that the 6-month CD with Optima Bank and Trust was rolled over for an additional 6 months and the CDARS 1-year CD with Granite Bank was converted to a 6-month CD.

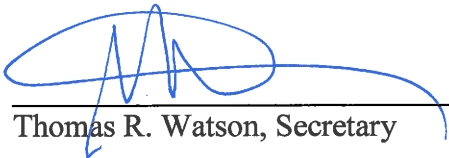
Ms. Renaud thereafter distributed and led a discussion of a revenue & budget pro-forma for the Josie Prescott Trust Fund for 2017. She reminded the Trustees that they had adopted a budget in 2016 which provided for a withdrawal of 4.3% of the 5-year average of the Fund as revenue to cover park operation and maintenance. Mr. Moore explained the City's current budget process concerning Prescott Park and indicated that the City Manager is looking for a decision from the Trustees on what the City can expect to receive from the Prescott Fund toward

the maintenance and upkeep of the Park. He noted that the pro-forma calls for the same level of funding, 4.3% of the rolling average, in 2017.

Mr. Watson stated that in recent years, the Trustees have strived to adopt budgets which provided for 4% of the 5-year rolling average but have been unable to do so due to the increasing cost of maintaining the Park. He explained that the Trustees believe that 4% is a draw level which best promotes a sustainable Prescott Fund. Mr. Watson explained that the annual shortfall was one of the reasons that the Trustees sought to increase non-endowment income, including contributions from significant Park users, in recent years. A discussion thereafter ensued concerning the appropriate percentage for 2017. Finally, upon motion duly made and seconded, the Trustees unanimously voted to approve a draw on the Prescott Park Fund of 4.2% of the 5-year rolling average for 2017 subject to the caveat that this level of draw is intended only for 2017 and is not intended to establish a benchmark for subsequent years.

The chair reported that the next meeting will take place on April 13, 2017.

There being no further business, upon motion duly made and seconded, the meeting was adjourned at 9:37 a.m.



Thomas R. Watson, Secretary