



TOWN OF DURHAM  
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Durham Trustees of Trust Funds Meeting  
8:30 AM, Friday, April 19, 2024  
Council Chambers, Town Hall  
8 Newmarket Road, Durham, NH

## MINUTES

Members Present: Ted Howard (Chair), Thomas Bebbington, and Alberto Manalo (Secretary)

Members Absent: None

Others Present: Deborah Ahlstrom (Durham Financial Analyst), Victor Sosa (Alternate Trustee Nominee), Christopher Lucas (Cambridge Trust), and William Fleming (Cambridge Trust)

- I. Call to Order: Chair Howard called the meeting to order at 8:31 am. The Zoom Protocol was not required because the three trustees attended the meeting in person.
- II. Public Input : No member of the public offered comments at 9:00 am.
- III. Approval of Agenda: There were no amendments to the agenda. The agenda was approved.
- IV. Approval of Minutes: The minutes of the meeting on March 22, 2024, were approved.
- V. Old Business:

A. Alternate Trustee

Mr. Victor Sosa introduced himself and expressed his interest in and willingness to serve as alternate trustee. He was attending this meeting to satisfy requirements for appointment to the Trustees of the Trust Funds. He will also meet with Chair Howard after this meeting to fulfill another requirement.

B. Update on Doe Farm/Land Stewardship Sub-Committee (LSSC):

At the LSSC meeting of April 10, 2024, Chair Howard reported that the Trustees were working with our consulting forester to expand the scope of the Doe Farm Management Plan to explicitly include climate change and resilience. He also reported that the

Trustees had approved \$500 for the permitting process for a follow up chemical treatment of buckthorn at the Doe Farm. Land Stewardship Coordinator, Sara Callaghan, indicated that additional funding for the actual treatment was being secured from an outside source. Most of the meeting was devoted to a discussion of the alternatives for several wetland bridges at the Long Marsh property, including design and cost.

Chair Howard contacted consulting forester, Charles Moreno, to discuss a possible grant from the Strafford Regional Planning Commission (SRPC) to address climate change and resiliency in an expanded Doe Farm Management Plan. The size of the grant will likely limit additional data collection, but the actions to address climate change and resiliency are reasonably straight-forward and have been part of most New Hampshire consulting foresters' thinking for several years. Chair Howard will reach out to the SRPC's Kyle Pimental to determine exactly what deliverable the SPRC needs as part of its grant support.

C. Update on Cemetery Committee:

Mr. Bebbington reported that the cemetery is open, and the area is dry enough to do work. There was one full body burial about two weeks ago, and another body burial next week. There is no backlog in burials like last year, but he is getting calls to get burials scheduled.

He also reported that no more monuments came down this past winter and the cemetery came through the winter without significant damage due to the tree-trimming work done earlier. But during the last storm, a large pine tree in the plot behind the cemetery crashed down. It narrowly missed the shed but crushed a container for compost and trash. The Durham Department of Public Works will clean up the tree.

The tree also damaged the privacy fence; several sections of it were severely damaged. Durham does not own that fence, but Mr. Bebbington will talk with the owners of The Cottages to have that fence repaired; it is their responsibility according to the town's agreement with the owners.

VI. New Business:

A. Expenditure Request

Chair Howard brought up the request from the Durham Fire Marshal for funds to purchase Stop the Bleed Kits. The funds will come from the Fire Department Injury Prevention (FDIP) Trust, which is fully expendable. The Fire Marshal submitted two quotes for the items because he was not sure about how much money is available. Ms. Deb Ahlstrom's email, which was distributed to the Trustees, contains the details of the request, and indicates that there are enough funds in the FDIP Trust to cover the higher amount. The town will pay for the items first and send a bill to the Trustees of the Trust Funds most likely before its next meeting. Ms. Ahlstrom confirmed the above and added

that if, due to market movement, the FDIP Trust does not have enough money for the purchase, any discrepancies will be covered.

The Trustees approved a motion to authorize the expenditure of those funds.

B. Working List of Goals for 2024-25

The Trustees approved the postponement of the discussion of the working list of goals for 2024-25 to a later meeting.

C. Monthly MS-9 Reports

Mr. Will Fleming reported on changing an investment practice involving the funds overseen by the Trustees. More than 10 years ago the town decided to invest the income cash in some of its funds with Cambridge Trust, probably because at that time the interest rate was close to zero and the Trustees decided to earn more from the funds not being distributed. Income cash is defined as anything earned from stock investments, such as dividends, and interest earned from bond investments. Because of this, there are two accounting records kept: (1) the MS-9 which shows the principal and the income, and (2) the investment statement. The numbers in those two records are slightly different. Past trustees sent a letter to Cambridge Trust officially acknowledging the practice of investing the income cash with the understanding that if they want to know how much money is available to spend in any given account or sub-account, they should refer to the MS-9.

Because the practice is uncommon for most towns that Cambridge Trust works with and current interest rates are higher, Cambridge Trust is proposing that, in the normal course of doing trades for Durham in the future, it will gradually sell some of the holdings with income cash invested. This will reduce the instances where there are confusing differences between the MS-9 and statement numbers. The process will take a long time and the practice may not disappear completely depending on the market situation and the needs of Durham.

Cambridge Trust would like to receive a letter from the Trustees acknowledging what has happened in the past and agreeing to the unwinding of the investment of income cash. Mr. Fleming will send Chair Howard a draft of the letter with the wording that Cambridge Trust proposes. The Trustees will discuss the letter at their next meeting.

Chair Howard brought up the issue of the MS-9 in 2023 having miscategorized transactions. The money is there, and it seems the errors are easy to fix. Chair Howard asked what corrections are going to be made and how they will be reflected in future MS-9 reports.

Mr. Fleming said that in November 2023, there were two distributions from an income-only account that were taken from the principal instead of income. There was sufficient income in the account to cover the transactions but the State of New Hampshire identified the error and brought it to the attention of Cambridge Trust.

Mr. Fleming said that the proposed way of settling the issue is to make the correction in the statement on the website. This approach is simpler than correcting the monthly MS-9 statements for the entire year, resubmitting them to the State, and redoing the MS-10 statement. The proposed correction should be fine with the State. Cambridge Trust will have the correct information on the monthly MS-9 reports beginning January 2024.

Ms. Ahlstrom proposed that the November and December 2023 MS-9 reports be corrected instead so that they match the spreadsheet she prepares for the Town of Durham and the Trustees. Mr. Fleming agreed to this approach.

Chair Howard raised the idea of receiving the MS-9 reports every quarter instead of every month. Ms. Ahlstrom said that monthly reports serve the Trustees better because they will have the latest information when they must make fund-disbursement decisions at their meetings. Chair Howard said that the Trustees will stick to receiving monthly reports.

Mr. Fleming also suggested that the forms used by the Trustees and furnished to Cambridge Trust separate the principal from the income. Ms. Ahlstrom agreed and said it would be helpful because when disbursing funds, the Trustees' practice had been to use the income first. If there is not enough income available, they will use the principal if they are expendable. Ms. Ahlstrom said that she would draft the new form for the Trustees.

Mr. Fleming also requested a list of the current Trustees and authorized signers for the Town of Durham. Chair Howard said that he would send a letter with the information, and that indicates that the Trustees and the Alternate Trustee have the authority to sign. Mr. Fleming said that he would set things up so that the Trustees receive the Cambridge Trust reports by secure email. Ms. Ahlstrom asked if it would be possible to receive the reports electronically but not through secure email. Mr. Fleming said he will investigate it.

#### D. First Quarter Report, 2024, Cambridge Trust, Investment Advisors

Mr. Chris Lucas reported that the market performed very well during the first quarter of 2024. Stock prices and the interest rates on bonds went up. Although inflation has not gone down to the level the Federal Reserve wants, the economy continues to chug along, and state and local governments are in better fiscal shape.

As to the outlook for the market, Cambridge Trust anticipates uneven stock valuations for the rest of this year because of uncertainty about inflation. With fixed-income investments, rising interest rates will result in lower short-term returns, but they remain safe assets.

The stock-investment investment strategy for Durham has done very well. It continues to do better relative to its benchmark. The higher percentage of technology stocks in the account has contributed to its good performance.

Mr. Lucas then reported on the three main accounts Cambridge Trust manages for the town of Durham: Capital Reserves, Trust Funds, and Cemetery Funds.

#### Capital Reserves:

Durham had capital reserves of \$4.17 million at the end of the first quarter 2024. The beginning portfolio value was \$2.37 million and net contributions and withdrawals amounted to \$1.52 million. The account earned stock dividends and bond interest totaling \$93.93 thousand. The stocks in the account increased in value by \$184.85 thousand. The one-year total return on the investment was 9.46 percent, which was net of Cambridge Trust's management fee. The net contributions from the town of Durham which increased the portfolio value were not included in the computation of the total return.

About 82 percent of the stock investments were in U.S. companies, 12 percent in developed-country companies, and 5 percent in emerging-market businesses. As to fixed-income assets, 47 percent were allocated to investment grade corporate bonds, about 43 percent to government and government-agency bonds, and 10 percent to core taxable fixed-income funds.

The Capital Reserves account's year-to-date total return of 2.87 percent was higher than the return for the Durham Total Fund Benchmark which was 2.73 percent. The total return was not any higher because the account is weighted more toward fixed-income assets than stocks. The fixed-income year-to-date return was 0.01 percent which was better than the -0.15 return for the benchmark (Bloomberg Intermediate U.S. Government/Credit). For equities, the Durham account earned 7.48 year to date; it was higher than the Durham Total Equity Benchmark's return of 6.95 percent.

The account's one-year return numbers for the total, fixed income, and equities were also higher than the benchmarks' returns. So, for both the one-year and year-to-date returns, Durham has done very well.

#### Trust Funds:

The allocation of the Trust-Funds account is like the one for Capital Reserves. The one-year total return was 9.34 percent. The account's total return, fixed-income return, and equity return, both for year to date and one year, outperformed those of the benchmarks.

#### Cemetery Funds:

The one-year total return for the Cemetery Funds account was 10.54 percent. This was higher than the returns for the Capital Reserves and Trust Funds accounts because the share of equities in the Cemetery Funds account is bigger compared to the other two. Total return and equity return on a year-to-date basis for the Cemetery Funds are above benchmark levels. The year-to-date fixed income return is the same as the benchmark's. The one-year target return, fixed-income return, and equity return are higher than their benchmark counterparts.

Compared to the Capital Reserves and Trust Funds, the Cemetery Fund account's fixed-income return was only slightly higher than the benchmark; this was the result of the

difference in fixed-income investment strategies. Cambridge Trust invests in individual bonds for the first two accounts and invests in exchange-traded funds for the Cemetery Funds.

The Trustees found the performance of the accounts to be satisfactory.

E. Reports or Issues Brought Forward by the Trustees

There were no reports or issues raised by the Trustees; however, they talked about future meetings. Chair Howard said that he was not sure if he can attend the June meeting, however, by then Mr. Sosa will be in place as Alternate Trustee so there will be a quorum. Chair Howard also said that he will be attending the July meeting remotely, and the August meeting may be cancelled if the Trustees have nothing to transact.

VII. Adjourn

The meeting was adjourned at 9:56 a.m.

Next Regular Meeting: May 24, 2024 at 8:30 a.m.

Approved:

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Theodore E. Howard, Chair

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Date