

Approved: October 25, 2019



**Trustees of Trust Funds
Meeting Minutes
Friday, September 20, 2019
Memorial Room, Merrimack Town Hall, East Wing**



The meeting was called to order at 8:35 am. Trustees present were Balcom, Wilkes and Christensen. Thomas Boland, Merrimack Deputy Finance Director was also present.

The minutes of August 23, 2019, were approved as distributed. Motion by Balcom, second by Wilkes. Motion passed 2-0-1, Balcom abstaining.

Correspondence with Eric Radlof of Bay State Forestry concerning Watkins Town Forests and harvest was noted. A "modest harvest" of the Lawrence Rd site is possible, but at this point would not approach the larger cut of 2004. Balcom noted that cut yielded \$24,000; the previous one was \$14,000. We will have to see what the forester indicates is likely. To authorize a cut, we need to propose it on the Town Meeting Warrant in March 2020, with a cut likely the next fall.

A site walk with Eric Radlof is scheduled for Monday, October 7 at 8:30 am and has been posted.

We received an additional \$3434.00 contribution to the Timothy Mark Gibson Memorial Scholarship Fund. A discussion followed about increasing the scholarship award from \$3500 to \$4000 and the possibility of using some of the "new" money for the award pool ("income"). We are obligated to expend only income, not principal, but it appears we have no control over the wishes of a donor if s/he wishes to use some for awards. We will contact the Gibsons and get their input for future action at the October meeting.

Christensen plans to attend a "Thought Series" presentation from Cambridge Trust on September 26th. Wilkes cannot attend, Balcom will see if there are still open seats.

Christensen will meet with the new Merrimack School District Superintendent, Mark McLaughlin, September 26 to brief him on the funds we manage and encourage the district to make more frequent requests for funding. We discussed some former successes such as Mandarin classes and rebuilding libraries. Wilkes suggested encouraging more vocational training as there is a great need for occupationally trained people in this region.

Portfolio review. The discussion centered on recent and future interest rate cuts and the pressure this puts on bank margins. We have holdings in major banks that are less susceptible to these issues than smaller regional banks. The following is an excerpt from an email from Eric Jussaume at CTC dated September 17.

"I am responding to your message to Judy Noel regarding the financial sector weight in the portfolio.

We think the shape of the yield curve has more impact on bank performance than the level of interest rates. The financial weight is 11.9% for the portfolio versus 14.7% for the S&P 500 Index. We have reduced this exposure this year; it was 13% at the end of 2018. This reduction reflects our concern regarding the flattening of the yield curve and, as a result, shrinking net interest margins (NIM) at banks. We also believe that regional banks are less well positioned to absorb the impact of smaller NIM versus their larger rivals like JP Morgan and Bank of America. Regional banks now make up 4.9% of the portfolio versus 7.6% a year ago.

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The yield curve remains fairly flat providing a head-wind to banks going forward. However, we expect the Fed to cut rates by 25 basis points this week which would actually be beneficial to the banks as it should cause some steepening of the yield curve which bodes well for NIM. As a result, we are not anticipating any additional reductions in our bank holdings from here and may consider adding should the yield curve steepen from here."

It was agreed to invite the CTC team to attend our November 22nd meeting.

Our next meetings are scheduled for October 25 and November 22.

A motion to adjourn was made by Wilkes, second by Balcom. 3-0-0. Meeting adjourned at 9:13 am.

Respectfully submitted
Chris Christensen, Trustee