

**Asset Development Committee Meeting
January 29, 2015, 3:40 PM**

Present: Adam Franklin-Lyons; Jerry Goldberg, Robert Stack
Member-Staff: Jerry Carbone; Citizen member, John Ogorzalek
Laurie Barrett from Prentiss Smith, visiting.

1) Call to order - 7:40

2) Add to agenda - request press release letter for Reformer and other news outlets

3) General discussion with Laurie from Prentiss Investing
how do we deal with the incoming Read Bequest?

Laurie reported that recent new purchases have been made larger to balance the new amount of money coming in. Even with these new positions and other larger purchases, it may still take two years for our investments to come up entirely to the new level. Our current portfolio is 75% equities and almost 95% invested. While this is higher than we generally want, as soon as the wire of the Read bequest appears, we will drop back to between 25 and 30% invested (well below our advised level) and this increase is in anticipation of that change.

All of this makes sense within our “total return” mandate: we want to be able to pull 4%, but also grow the account, so we want relatively stable returns but with some growth. Laurie notes that our general goal is a growth of 6-7% - so 4% plus 1% growth plus 1.69% inflation over the last few years would dictate 6.69% total yearly increase as a reasonable goal. We were just over 6% over the last few years, which is in the right range.

Question from Robert Stack: should we give the town a flat dollar amount when entering budget negotiations or should we offer them a percentage of the endowment income to make them invested (as it were) in the growth of the endowment? Laurie will ask Prentiss but believes a flat dollar amount is probably preferable. Jerry C. noted that the new town manager seems to understand the “reserve fund” concept and the nature of our endowment.

Question from Jerry C. and Adam F-L: What percentage should we withhold for library use? How much do we want to earmark as “not in the endowment.” In the account as it stands, there will be around 70% cash until new money could be invested. However, what percentage do we as the trustees want to say we are not investing? Adam notes that it is important to be clear to everyone what money is available for capital work and what money we are permanently placing in the endowment, since we don’t want to be putting money in and then pulling it back out for capital work.

What are the amounts we’re aiming for? Laurie says getting it as accurate as possible is pretty important, since you don’t want to way over shoot or way under shoot.

Deferred capital projects include: HVAC system replacement (variable speed fans and new condensers), ceiling cleaning, vent cleaning, boiler replacement, perhaps reconfiguration of space. Use of some of the money as matching funds.

Capital projects for 2017 measure up to 208,000 (HVAC comes to 160,000)

2018 comes to 60,000

Based on those numbers, Jerry C. recommends 1/3 of the costs (around 70,000) with another portion (perhaps 50-70,000) for improvements to the space or interior redesign. Adam offers 10% as a reasonable number (120,000) with the possibility of withholding a bit more from residual payouts from the Read estate (we anticipate 10-20,000 although it could be more.)

Second question from Robert Stack: what number should we use for our calculation of the 4% annual draw? Do we use the 1/1 amount or the 2/1 value? A concrete rule is positive for communications with the town - it would be a policy choice to make a different date for when you bring it out. Adam's suggestion: use the 1/1 both years and for 2016 it will be undervaluing the endowment and for 2017 it will probably be overvaluing, but it will stick to the policy and the full quantities we withdraw will probably be a wash. Generally this seems like a reasonable idea (Laurie and John agree that this is a good idea.)

The last question (offered by Laurie) is how much cash do we want to take for a cd or municipal bond not sent to the endowment but considered "endowed" for the purposes of the library and for Prentiss' percentage positions. One option would be keep out 200,000 (more or less) in a cd or other local account that would gain a small percentage and Prentiss will continue to act as if they have the whole amount when they buy positions. That way we don't have as high a percentage of 0% growth cash in the money market while waiting to integrate it into the full endowment. (even purchase municipal bonds or other Vermont product). 10% similar to the amount withheld for capital was suggested (this would be a further 120,000). This would be assumed to be part of the endowment, but invested independently from Prentiss for short term low and safe gain and would be transferred to Prentiss when they are ready for the money to be invested in equities or bonds according to the needs of the portfolio.

4) Bequest letter distributed and read

How do we distribute this? R. Stack suggests waiting till after the trustees meeting so that the trustees do not feel blind-sided or surprised by the news getting out before being fully informed at the monthly meeting. Jerry G. notes that we want to put this information out as soon as possible so that our story is the one that gets told and that people are looking for the message from us (Jerry C. and G. both have their names and numbers on the release and would be the likely recipients for requests for information). We discussed the possibility of waiting for the trustee meeting so that the full trustees can state something, but decided that we needed the press release out as soon as possible. The committee agrees that we will send it out to the full trustees tonight along with the minutes explaining the decision. Then we can then send it to the reformer

and other news quickly (tomorrow if possible.)

After the press release, we will get further questions and will need to answer both to the press about where this came from, but also potential questions from the town and town meeting about why are we not spending that money. As long as we're clear that this is for the long term and we're ready for the questions, it should be easy enough to offer a solid response. Jerry G. reminds us all that this is and will be seen as good news.