

**TRI BOARD MEETING
SCHOOL COMMITTEE – BOARD OF SELECTMEN – FINANCE COMMITTEE
JANUARY 24, 2012
TOWN HALL MEETING ROOM A**

OPEN SESSION

CALL TO ORDER

Chairman J. Loeb of the School Committee called the meeting to order at 7:40 p.m. with the following School Committee members present: B. Hopping, S. Gresh, L. Dietz, J. Bauman, and R. Roesler. Present from the BOS were: S. Berry, P. McNally, C. Surpitski, and W. Craft. Present from the FinCom were: M. Schaaf, I. Miles, M. Swan, R. White, M. Feldman, and R. Howard. Supt. R. Korb, Town Manager T. Younger, and Attorney S. Perry were present as well.

CITIZENS' COMMENTS

AGENDA

Mr. Loeb cited the purpose of the meeting to review the proposed Trust Administrative Order. Two sets of revisions were referenced in the review one a week old, and a second, just a few hours old. A version existed when the lawsuit started (Counterclaim), and the current version now is being completed in light of the judgment for sale.

Mr. Steve Perry first reviewed the newest revision, dated 1/24/12, and its red-lined changes. Mr. Howard questioned whether the document should be complete in itself rather than have it as a part of the judgment. Mr. Perry and Mr. Loeb assured him that this document has to be approved by all the parties and another set of lawyers and then becomes part of the judgment.

Mr. Perry next reviewed the body of the Trust Administration Order from the beginning.

Under Section 4, Trust governance (p. 2), there was discussion of getting the new Feoffees in place as soon as possible for continuity's sake, and Mr. Loeb suggested a meeting of the FinCom and BOS following a press release and/or advertisement to select persons to succeed the current Feoffees as directed in the Trust Administration Order and there was consensus to do that.

Mrs. Roesler remarked that no one would be renting a lot at Little Neck and Section 4 iii (p. 2) would be a moot point, but Mr. Feldman questioned the possibility that some might be mortgaging the property. When Mrs. Swan spoke of the power of Feoffees to lend not being mentioned, Mr. Perry replied that it wouldn't hurt to add that information. From a legal standpoint, Mr. Loeb said the entity of seven individuals as Feoffees is remaining the same.

Under Section 4 e (p. 4) in discussion of conflict of interest, compliance with the State Public Ethics Statute and good governance standards for governmental bodies and public charities, Mr. Perry changed wording to read "and at least as stringent as State Public Ethics Statute."

To Mrs. Miles' question of payment of State Transfer tax, Mr. Perry stated that according to the Agreement for Judgment, this tax does not have to be paid, and the AG assented to the Agreement for Judgment, so we are hoping that there will not be such a tax.

On Section 4 f (p.6) Mr. Feldman advocated for a mortgage service to be included in the hiring of financially knowledgeable persons by the Feoffees. Section 4 d (p. 6) "..... payment of all properly incurred debts and expenses....." will be inserted because of a need to constrain new obligations that Feoffees will incur.

Mr. Perry reviewed the Spending and Distribution Policy outlined on Section 5 g (p 6), explaining that in reading several endowment policies, he had found that most policies use some variation of a distribution based on a rolling average of asset values, or a initial spending amount increased for inflation, or some combination of those. The best way is to retain an endowment expert (rather than just an investment manager) to help select a spending policy, which would be used for a number of years, but which could be adjusted. According to everything Mr. Perry had reviewed, when investing for perpetuity, a relatively high percentage of stocks and a small amount of fixed income investments are recommended.

Mrs. Roesler questioned Section 4 f (p.6) the hiring of professionals to manager investments, and whether they might be subject to a conflict of interests if they worked at a firm where a Feoffee was employed. Mr. Perry replied that the process of engaging an investment manager would probably involve RFPs and would be a public and open process. In response to a question about the Trust being drained by large capital expenditures, Mr. Perry responded that the trustees would be constrained by the terms of the Trust and their fiduciary duties, and that the Massachusetts Uniform Prudent Management of Institutional Funds Act (statute) would not allow trustees to make large distributions of principal unless it was prudent. The whole point of this spending policy is to perpetuate the trust and to achieve intergenerational equity, rather than to have annual distributions made based on the short term needs of the schools.

Following discussion of the employment of investment managers, it was determined that Section 5 f (p.6) would delete the words "subject to the approval of the School Committee."

In studying Section 5 h (p. 7), consensus was to change "periodically" to "promptly." In 5 k, the words "stated goals" will be replaced by "to the investment policy."

Mrs. Roesler questioned the possibility of the distribution to the school being spent on the operational budget rather than for enhancement. Mr. Hopping feared that over time the money will only be used to meet the budget and the responsibility for that should be borne by the taxpayers of Ipswich, not an endowment fund. Mr. Loeb commented that it is incumbent upon the School Committee to create a written policy regarding the use of the Feoffees money, adopting principles as to how the money will be used. Mr. Craft reminded everyone that Mr. Payne left the money "to support the Grammar school" and added "Policy should be designed with the understanding that it is a living document." Mr. McNally suggested letting the principal grow until it reaches \$40 million.

Discussion continued on the terms “with preference when feasible” Section 5 e (p. 6). Mrs. Roesler moved, seconded by Mrs. Bauman, to strike the words “with preference when feasible” (Section 5e and Section 3). IN FAVOR – Roesler, Bauman; OPPOSED – Hopping, Loeb, Dietz. Mr. Hopping moved, seconded by Mrs. Dietz, to strike the words “when feasible” (Section 5e and Section 3). IN FAVOR – Hopping, Loeb, Dietz; OPPOSED – Bauman, Roesler. (Dr. Gresh had left the meeting.)

Sue Brengle and Board members discussed the possibility of an override at Spring Town Meeting. Mr. Loeb felt that, if a push were to be made, it should be made abundantly clear to the townspeople of the need, the money available, and the delta that exists.

To Mr. Howard’s question of using the town’s auditor to do the Feoffees’ audit (Section 5 u, p. 8), Mr. Loeb replied that the last two Town auditors have been specialists in municipal audits. Mr. Schaaf recommended replacing the word “adequate” with the term “prudent” which was accepted by consensus.

Under Section 6 a, p.10, Mrs. Dietz commented that she had talked with a 25-year-experienced person who said a municipal trust can only invest in municipal bonds. Mr. Perry said that that was not his understanding of the term as used in Massachusetts law, but a check will be made of this item.

If another bequest should come along to add to the trust, it would be covered under Section 5 cc, p. 9.

FinCom members were interested in having another trust attorney review the document. Mr. Perry stated that he did not oppose a second opinion, but that he was concerned with timing, and that it also needed to be understood that the draft before the TriBoard was something that had developed over a lengthy period of many years. Ultimately, the School Committee will approve the final Trust Administration Order. It will then go for approval to the Probate Court, the Feoffees counsel, and the Attorney General. Mrs. Roesler asked who would pay the attorney who might give the second opinion. FinCom members approved the funds from the litigation funds by unanimous vote. The timeframe created consternation because Judge Sahagian is waiting for this document. The newest red-line review will be at the February 2 School Committee meeting.

Mrs. Dietz moved, seconded by Mr. Hopping, to adjourn at 11:15 p.m. UNANIMOUS