

Northport Investment Committee
Meeting minutes -- December 30, 2022

Present: Ann Frenning Kossuth, Bart Calder, Ovid Santoro, James Kossuth, Fred Dent (remotely).

Meeting was called to order at 5.30 pm.

The Committee reviewed minutes from the December 2, 2022, meeting. Frenning Kossuth moved to approve, Santoro seconded. The Committee approved the minutes, 3-0.

Santoro introduced Dent, principal at Dent Wealth Advisors, to share some insight on municipal investing strategies. Dent described his background and qualifications, and stressed that he was not looking to solicit the Town's business.

Dent emphasized the need for a written investment policy that states the Town's risk tolerance and objectives. Dent suggested that a short and clear policy would be better than a long and complicated one.

Dent asked if the Committee knew how long it could leave the money invested. Kossuth explained that the Town has a variety of reserve and operating funds, and each has its own time frames, from immediate to 3-5 years.

Dent explained that the Town could consider investing in vehicles such as a "fund of funds," which essentially mimics the make-up of large institutional endowment strategies, as well as "laddering" CDs.

Calder asked Dent what the relationship would be between a broker like Vanguard and the Town, if the Town invested in Vanguard funds. Dent explained that it would be like that between the Town and its current banks, without any fiduciary relationship.

Calder asked about the risk involved. Dent explained that any investment has risks, and that it is important for the Town's investment policy to state the Town's risk tolerance, and to guide the Town's investment strategy.

Calder asked about the meaning of "managed allocation" in the context of a "fund of funds." Dent explained that the fund manager owns other funds and reallocates from time to time according to performance and the fund's own goals.

The Committee thanked Dent for his time and advice, and Dent offered to be a resource in the future if the Committee has any additional questions.

Santoro reported on his conversation with Rebekka Conley, the Director of Treasury for the City of Portland, about Portland's investments. He reported that Portland does invest to some extent in local businesses, essentially as a local venture capital fund, but that they do not invest in securities. He also reported that Conley referred him to the City of Saco, which uses a firm called Multi-Bank Securities (MBS) as a broker-dealer, but Santoro said that he did not see what value MBS added to Saco.

Santoro reported that he also spoke with Tom Dechaene, who is currently the Director of the National Bank of Belgium, about their investment strategy. They have their own trading floor.

Santoro also spoke with Michael Cohrs, former head of global banking at Deutsche Bank and currently on the Board of Directors at the Bank of England, who suggested that the Town consider investing in money market funds, as well as have a policy that spells out the Town's risk tolerance and asset allocation, and follow that policy.

Calder reported on his research into investment management companies for the Town to work with. He found organizations like the Council of Non-profit Organizations, which has investment policies for non-profits and institutional endowments, but not much that he thought would be useful to the Town.

Frenning Kossuth reported that she had contacted the Island Institute for information and had not heard back.

Kossuth reported that he had spoken with Omar Saeed, a former principal at Hutchin Hill Capital, a hedge fund, who currently serves on the boards of non-profits and manages their endowments. Saeed recommended that the Town have a clear investment policy and adhere to it. Saeed recommended that the Town only use outside money managers if they can provide some extra value that the Town cannot achieve on its own by directly investing with a company like Fidelity or Vanguard. Saeed also recommend that the Town fully understand its risk tolerance before investing, and to rebalance any investment portfolio no more often than quarterly.

Kossuth reported that he had heard from St. George, where they have been investing for many years. St. George gave Kossuth a copy of their investment policy, and the Committee reviewed it. Kossuth had asked St. George for its rate of return vs. the S&P 500, and was waiting for that information.

The Committee decided that the next step is to draft an investment policy, using other towns' policies as starting points. Kossuth will set up a Google Doc for everyone to edit.

The Committee would also like to meet with the Town's Finance Director and Select Board to talk specifically about how much money the Town has to invest and where to invest it. Kossuth suggested that the Committee attend an upcoming Select Board meeting to present the policy and to discuss those matters with the Finance Director and Select Board. The Committee agreed that the February 13, 2023, Select Board meeting would give them enough time to finalize the investment policy.

Frenning Kossuth moved to adjourn the meeting at 6:50pm. Santoro seconded, and the Committee voted 3-0 to adjourn.