

January 14, 2021---REVISED---DRAFT---NOT APPROVED

To: Hollis Carlisle, Pat Mangan
Cc: Forrest Holzapfel, Marlboro Selectboard
Fr: Carol Ann Johnson
Re: Meeting notes from Zoom call with Hogback Mountain Conservation Association (HMCA) finance committee

Trustees of Public Funds (Hollis Carlisle, Carol Ann Johnson & Hollis Carlisle) and Forrest Holzapfel met via Zoom on January 12, 2021 with representatives of the Hogback Mountain Conservation Association (HMCA), Bob Anderson, Nancy Anderson and Jack Widness.

No motions were made and nothing was voted on. Follows are notes from the conversation.

Nancy Anderson:

She serves on the board of HMCA and is treasurer, and wanted to make sure the Trustees of Public Funds know the history of the HMCA. She is concerned that 50 years from now, people may not know the original intentions for the use of the dollars that were set aside for maintenance and conservation of the land after the purchase. The HMCA has been anxious to talk to us, to discuss how the funds have been used, and wants to hear our thoughts. She feels there is a benefit to meeting and talking about it.

Carol Ann Johnson noted that HMCA has ready cash of approx. \$8,890 which does not cover the current budget of \$14,637 (this was the 2020 budget but as it was unused due to the pandemic, it will roll over to 2021). She asked how the HMCA envisioned the shortfall being funded and was told that it should come out of the CD's coming due in June.

Nancy noted that the "endowment" was envisioned to be a permanent fund that would grow and create earnings to sustain a decent level of expenditures, but that is not what has happened. As a result, the principal has had to be tapped into. The large expenditure in the current budget, for example, is to take down the old first aid building. In the past, people had voted to dip into capital to cover the budget.

Nancy explained that there was not and there should have been a gift Instrument set up when the funds were set aside after the land purchase. She explained further her understanding of what a gift instrument is:

A gift instrument tells you what the purpose of the fund is to be, and defines how money should be spent, dividends reinvested, the maximum # of draws per year for expenditures, etc. All of those guidelines are usually spelled out. As a gift instrument was not established, the HMCA feels that some general guidelines need to be created for posterity. The intent is not to pin the Trustees down on exact investments, but to lay out a general framework. It would then be up to Trustees to make decisions that are prudent, work within state statutes, and allow for growth exceeding inflation, and preservation of purchasing power. Though it is January, it will be good to have this worked out before June when the CDs mature.

Jack, Nancy & Bob act as financial advisors for Hogback, and want a policy created and agreed to, that will then guide decisions about the Fund.

Forrest: Trustees are to follow state statutes as far as investments go.
The select board has say over what happens.

Nancy said she would be willing to create such a document for the Trustees' consideration.

Question from Hollis: "Is it legal to essentially create a Gift Instrument years after the funds came to the town?"

Nancy thinks it is legal.

In the absence of specific donor instructions, endowments are treated as "true endowments" where the principal is maintained and only earnings are used.

Gifting instruments can be general or detailed. But right now there is nothing. The HMCA doesn't want to see the funds just get whittled away in the future by folks who don't know the original intent when people donated to the fund.

Forrest commented: If you're going to continue to spend \$8,000 a year, there is no way that \$95,000 can do this.

Bob says "my fault" that the gift instrument didn't get set up right away. The HMCA borrowed approx. \$1.5 million to buy the mountain and repaid that through success in fundraising and there was \$ left over. The intent was to donate the land to the town, which they did. They didn't think about a Gift Instrument for the left over money at the time but assumed things could be worked out after the fact. There were 14 committee members and they had common agreement, which is spelled out in the management agreement. The intent was to make it a permanent fund. He noted that Endowment's generally get capital growth +5% dividend. The HMCA would like to suggest therefore that the Trustees work with VT Community Fund, that is, invest the Hogback endowment CD \$ with the VT Community Fund. Bob noted should the current pot of money dwindle down, everything (responsibilities) will go to the town. Most of the work is done with volunteers, but there are still expenses.

Pat: "It's good for us as Trustees and the town to understand HMCA committee's "thoughts and goals" to take into consideration as we determine how the funds should be invested. However, Trustees of Public Funds have been charged, by the state, with the investment of these dollars.

Pat asked: "Are you doing any current fund raising? Knowing what CDs are doing, earnings are not going to cover your expenses."

Nancy: "We receive modest donations from people. But we don't do a fundraising campaign. The committee is busy working on trails and sponsoring groups who want to do educational projects there. Fundraising always something they want to do, but just don't get to it. They host free events and have an "Iron Ranger" (a donation box). But they don't advertise. People just see it on the trail.

The 2 large expenditures in recent budgets (\$9,000 to take down old first aid building) were an anomaly. Expenses are usually \$1-3,000/year.

Pat: "We're not prepared to talk about different investment options at this time. We are working with a tight rope of "risk-reward." There is not a lot of \$ there." Not a lot of cushion to withstand market gyrations.

Nancy: Endowment funds can be treated the same as tax dollars. The State has updated state statutes to show that a town can invest beyond CDs. Guilford, for example, has an educational scholarship fund, and when it reached \$100,000 they worked with a brokerage firm to come up with an investment strategy. She suggested getting help from a financial advisor to help maintain purchasing power. She didn't come to the meeting to discuss specific strategies.

Forrest: "Can you recall conversations with VT Community Foundation (VCF)?"

Nancy: There are a couple reasons they're interested in VCF. They work as public foundation. You transfer \$ to the Community Foundation, they return a % each year (depending how funds do, usually based on a rolling 3 year average), they invest for the long term, so it can provide growth and spin off some earnings. Nancy thinks that state statutes encourage consideration of this, as the VCF benefits the state. They donate \$, make grants, do a lot for the state. It also takes pressure off of the town to keep abreast of the financial world. They have also changed their structure so you can select social responsible funding for example. Can get 3.5-5% on annual basis. VCF has a long list of towns and nonprofits that have participated with VCF.

Forrest: there will be costs associated with any investment service.

Nancy: They are incentivized to do well for you. So they make \$ too. She believes there are many options out there. CDs and treasuries just not adding enough back to the fund.

Jack: The group is appreciative for the opportunity to meet us, answer questions, get to know one another, and get the ball rolling. Would like clarity on what can be done about:

- 1) go back and make a "gift instrument"
- 2) Considering investments such as VCF

Want to hear from us. How can they help us move things along? What tasks can they do to make it an easy process? How can they be most helpful? How can we work together? They are willing to craft the wording for this Gift Instrument.

Pat: We too are appreciative to meet. Good to hear their thoughts and goals. We'll keep an open mind as to what options are there. We need to see their budget.

Nancy: suggested Trustees view the 2020 budget.

Hollis: We need clarification on the legality of creating a “gift instrument” at this point. She encouraged them to write the history down so it will create a record going forward.

Jack asked whether the HMCA should they address the legality of the “gift instrument” or should Paul Gilles (town attorney)?

Hollis noted that there have been years of investing and spending money. It’s important that we do it legally.

Nancy asked if they write the history, would it be binding in any way?

Hollis replied that to find out what is binding, the Trustees will need to discuss with Mr. Gilles.

Nancy will write something we can share with lawyer. She wants to be sure the \$ is preserved.

Carol Ann suggested that this history be recorded to help them with fundraising and they might want to consider going after some grants and sponsorships, especially now that backcountry skiing is so big.

Jack: “we had not thought of going after sponsorship \$. Don’t want to be a burden to town members, ie always asking for \$.

Nancy: Some interesting things are going on: a film maker who just moved to Wilmington wants to make a short video about hogback skiing. They also have a web site with history, trail maps, lots of info they are managing on behalf of the town. Hogbackvt.org. Also there are bird studies going on.

Jack: Part of the problem is dealing with the old buildings. Issues have to be dealt with.

They will get this history to us

And we need to tell them when we can meet again or provide new questions.

Forrest said that it will have to be after Town Meeting.

Carol Ann: Said we will get back to them with calendar suggestions and next steps.