

## **The History of the Hogback Mountain Endowment Fund with Recommendations for Current Fund Management**

### **The Endowment Fund — An Overview**

The Hogback Mountain Conservation Association (HMCA), a non-profit, all-volunteer organization, was formed by local citizens of Marlboro to raise funds for the purchase of Hogback Mountain. Volunteers conducted a capital campaign from 2006 to 2010, raising \$1.73 M for the acquisition and conservation of the 593-acre tract known as Hogback Mountain. The Vermont Land Trust (VLT) acted as its fiscal sponsor. In March 2010, following its successful capital campaign, HMCA gifted the Hogback Mountain Conservation Area, including the former Hogback Mountain Ski Area and its outbuildings, to the Town of Marlboro. At that time, HMCA also donated an Endowment Fund (“the Fund”) of \$120,000 to the Town to support Hogback expenses, along with a separate gift of \$11,600 to cover immediate expenses while allowing the Fund’s principal to grow to maintain in perpetuity Hogback’s programs and activities. The Fund itself was a specific line item in the capital campaign budget.

At the time of its purchase, the Hogback Mountain Conservation Area included a renewable easement to the National Grid (an electric cooperative) for accessing the company’s cell towers on Mt. Olga. Today this lease income provides \$9,620 annually that is directed to the Town of Marlboro’s General Fund.

### **Original Intent of the Endowment Fund**

The HMCA’s original *intent* for the Fund was to underwrite in perpetuity the modest cost of recreational programs and activities benefiting the public interest in education, conservation, wildlife, trail management, low-impact recreation and other activities in accordance with the Hogback Conservation Easement.<sup>1\*</sup> In 2010 it was with the expectation that prudent investment of the Fund would generate sufficient income to cover the modest program and activities expenses in perpetuity that a decision was made by the HMCA to yield the National Grid lease income to the Town’s General Fund.

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\* The Vermont Land Trust (VLT) and the Vermont Housing and Conservation Board (VHCB) stipulate in their easement that the Hogback Mountain tract’s primary purposes are “*to conserve forestry values, wildlife habitats, riparian buffers, aquatic habitats, wetlands, soil productivity, and water quality on the Protected Property, and the ecological processes that sustain these natural resource values as these values exist on the date of this instrument and as they may evolve in the future, non-motorized, non-commercial recreational opportunities, open space values, and scenic resources associated with the Protected Property for present and future]. As secondary purposes, to conserve biological diversity, natural communities, and native flora and fauna associated with the Protected Property for present and future generations.*”

In 2010, the aforementioned intent of the HMCA Endowment Fund gift to the Town and of the Town officials' understanding of this intent, are indicated by:

1. The Fund was never combined with the Town's General Fund. Rather, the Town created a separate fund account, that it named the "Hogback Preservation Fund." Since then, this has *always* been treated as separate from the Town's General Fund.
2. The specific proposal presented to the Select Board in 2011 by the Hogback Preservation Commission (HPC) with the agreement of HMCA, to invest the Fund in a financial institution that would preserve capital, allowing for the Fund's growth such that annual distributions would support all of Hogback expenses.
3. Early campaign fundraising literature described HMCA's fundraising as including the cost of acquisition, conservation, stewardship, permanent easements and "*an endowment to cover future expenses.*"

### **HMCA versus HPC — What is the Difference?**

The HMCA—as noted above—is a private, all-volunteer, 501(c)3 non-profit whose original purpose was to raise funds for the purchase and conservation of Hogback Mountain to then be gifted to the Town of Marlboro. Since gifting the Mountain—and its Endowment Fund—to the Town, the HMCA has continued to provide volunteers and donate materials to carry out on-the-ground support of free, engaging, educational conservation-minded activities benefiting the public. Examples of these activities include guided hikes, trail building and maintenance, removal of invasive species, creating and distributing trail maps, providing educational activities for the Marlboro Elementary School, and providing directional signage. Over time, the HMCA has evolved into an organization that assists the HPC with ideas, plans, and activities. The HMCA has created and maintains a website ([www.hogbackvt.org](http://www.hogbackvt.org)) and a social media presence to provide Hogback-relevant information promoting its activities benefitting both adults and children. Volunteers donate extensive time, labor and materials on a variety of projects that significantly reduce Fund expenditures.

The Hogback Preservation Commission (HPC) was created in 2010 by the Select Board as a separate public entity when the Town accepted the HMCA's gift of the Mountain and accompanying Endowment. Its role is to serve as the Town's official governing entity for the Conservation Area (<https://marlborovt.us/boards-minutes/hogback-preservation-commission/>). Distinct from the private HMCA, the HPC is appointed by and serves at the pleasure of the Marlboro Town Select Board. The HPC Board sets management policy to implement the purposes

stated in the Conservation Easement Agreement and helps to resolve Hogback-related issues that arise. The HPC Board also monitors and updates the HMC Area Management Plan as needed and provides annual budget recommendations to the Select Board regarding the Fund's earnings. It also provides general oversight of the HMCA's on-the-ground activities listed above. Finally, the HPC makes recommendations to the Select Board for management of the Fund.

### **How the Endowment Fund Has Been Invested**

Since its inception, in response to recommendations of the Town's lawyer, the Fund has been invested primarily in insured Certificates of Deposit yielding a low interest rate; the 5-year \$95,000 CD maturing this year has been yielding 1.5%. Meanwhile, the annual Fund expenditures over the past 11 years have averaged 2.06% of the original \$131,600 endowment and gift.

Due to the Fund's previous investment policy and two large expenses—a \$3,000 payment towards a boundary issue settlement mandated by the Select Board in 2012, and an \$8,000 biodiversity study that HPC and HMCA felt was essential for future planning—and investments in low yielding CDs, the Fund has declined. At the end of 2020 the Fund's principal had fallen to \$115,700, at which time it would have been significantly higher if it had been invested in prudent, higher yielding vehicles. It is clear that the Fund's spending and investment strategies need to be revised to comply with the donors' intent while at the same time being consistent with the Vermont Statute guiding the prudent investment of endowment funds (<https://legislature.vermont.gov/statutes/chapter/14/120>).

### **Cost of Larger Projects — Impact on the Fund**

Concern by many about the stability and safety of old buildings that were part of the Hogback Ski Area has led to discussion about use of the Endowment Fund for their demolition and removal. Costly projects of this magnitude were never imagined as appropriate for the Fund nor anticipated. For this reason they were never discussed and were not described in capital campaign literature. The use of the Fund for such projects would quickly reduce—and soon exhaust—the Fund's principal.

Following the Fund's principal being depleted, the HPC would have to rely on taxpayers via the Town's General Fund for even modest needs at Hogback. HMCA, without the modest funds it has requested over the years, would be unable to continue programs it currently provides, e.g., Marlboro School Field Day at Hogback, the educational trail hikes, stipends for outside leaders to come share their knowledge and skills, construction of trail signs and kiosks, and trail maintenance. These are all activities at the heart of the Hogback Mountain Conservation Area's purpose.

Should the HPC decide that larger projects at Hogback be undertaken, we suggest several alternate funding avenues—in what the HMCA views as decreasing order of preference—that could be considered, rather than spending down the Fund.

1. Utilize the earlier-mentioned Hogback lease income to the Town from the National Grid, which has now increased to over \$9,000 annually of non-taxpayer-generated dollars.
2. Set aside a portion of the Fund's distributions each year towards this purpose.
3. Secure a federal, state or private grant, either project-specific or goal-oriented.
4. Request funds from the Town's General Fund, the least desirable option as HMCA from the beginning wished to avoid burdening the town.

### **HMCA's Recommendations for Moving Forward**

First, the HMCA's original intent for the Fund should be memorialized in writing to guide those involved with the Hogback Fund's investment strategy, i.e., that intent being to preserve and enhance purchasing power of the Fund's assets while realizing appropriate investment income to support Hogback expenses in perpetuity.

Second, the following recommendations should be implemented to ensure the health of the Fund by establishing the following:

1. Prudent Investment Policy
  - a. Establish a policy that the Fund is to be invested with a long-term horizon with the objective of preserving, in perpetuity, the purchasing power of the Fund's assets and ensuring its growth while realizing appropriate investment income.
  - b. Engage an investment advisor to provide specific investment advice and to manage the Fund.
2. Prudent Spending Policy  
Develop and document a spending policy to guide annual distribution goals and limitations consistent with the Investment Policy.
3. Pragmatic Spending Restriction Policy  
Develop an official statement acknowledging that the Fund is intended for and restricted solely to Hogback-related activities as encompassed in

the VLT/VHCB's Conservation Easement, and to forbid the use of the Fund for any non-Hogback-related activities.

Prepared by HMCA Financial Advisory Committee, dated Jun 10, 2021