

## **Monhegan Associates Trustees and Annual Meetings**

### **August 21, 2020**

The August 21 trustees' morning and evening meetings and the Annual Meeting itself were held via internet, using the application ZOOM.

Present on the calls were: Fred Faller, Richard Farrell, Bruce and Candis Kerns, Nan Nelson, Linda Rae, Bob Smith, Judy Grey, Rebecca FitzPatrick, Glenn Burdick, Doug Boynton, Marlene Arvan, Chris Koerber, John Christie, Ian Leavesley, Daniel Bates, Jes Stevens, Morrie Feibusch and Ann Hughey.

#### **Morning Trustees Meeting:**

The summer Ecology Committee lecture series was postponed until 2021 because of the Covid-19 pandemic, Nan Nelson reported. Given the current Covid-19 pandemic uncertainties, Faller suggested re-evaluating the lecture series on February 1, 2021.

The purchase of the Pace land near Deadman's Cove has been completed and properly recorded, according to MAI President Fred Faller.

The legal issues, including an existing easement, surrounding the acquisition of Charlie Hudson's Hardwood Hill property are still being worked out, using the assistance of Rockland lawyer Patrick Mellior, according to Doug Boynton. Faller asked for an estimate of the cost of Mellior's services.

MAI signed a lease in early July for a piece of land to allow the construction of a broadband communications tower near the power station, according to Faller.

Stephen Cooper's request to build a vehicle road on a right-of-way he claims through Monhegan Associates land is still under consideration, Faller said. Cooper is seeking to build the road to allow Greg Rollins to transport lumber, cement, shingles and other construction materials to repair his buildings near Pebble Beach, Faller said. The existing buildings were originally built with materials transported by boat by the Mersfelder family, but Cooper doesn't want to build a boat ramp in order to land the building materials, Faller said, adding that MAI has no record of the right of way, or where it is. MAI has sent a formal letter to Cooper asking him to present his road plan to the trustees, showing where the right of way is. Trustee Chris Koerber said Cooper would also need to comply with federal and state laws and regulations dealing with wildlands and wetlands.

Fred said that Jes, who is stepping down as chair of the Fire and Safety Committee, had done a great job. Daniel Bates has agreed to take her place as the next chair. Faller said that Maine forest rangers will be visiting the island in early September to advise MAI on how best to craft a policy to prevent wildfires.

Faller also said Marlene Arvan will take over from Jes as head of the Nominating Committee and that Ann Hughey will resign as secretary at the end of the 2021 annual meeting

The Trails Committee suspended weekly volunteer trails-grooming sessions this summer because of the pandemic, Ian Leavesley said, reporting on behalf of himself, Rick Cameron and Rebecca FitzPatrick. The focus has been on safety, Leavesley said – for example clipping back briars, or around rocks submerged in trails so they can easily be seen. He suggested improving a bog bridge on Trail 1 where it exits Lobster Cove and goes up into the woods, and building a new bridge over an old beaver stream. He also suggested cutting back parts of the Lobster Cove/Underhill trail area to make it passable for emergency services when they have to carry an injured person out on a stretcher.

Policies for poison ivy management on the trails: “leave no trace” in the wildlands, and the use of insecticides on bees, wasps and hornets in the wildlands were discussed. Fred asked for volunteers to work on other MAI policies having to do with the wildlands, such as fire prevention, use of power tools and human participation guidelines.

Finance Committee members Jaye Morency and Glenn Burdick presented a strategic plan for rebalancing MAI’s finances to take into account the \$100,000 donation from the Wyeth Foundation and alleviate risk by investing the cash over a nine month period from September until May, when MAI’s fiscal year ends. The investments would be made automatically mid-month to avoid end of month and end of quarter trading activity in markets, Morency said.

Morency and Burdick showed slides illustrating the mix of socially and environmentally responsible investments MAI has now and presented a plan for the future. Currently MAI has 40 percent in stocks, 15 percent in fixed income investments and 45 percent in cash. The plan is to change the mix over the next 9 months to 65 percent stocks, with fixed income at 25 percent.

#### Investment Implementation Plan August 2020

To fully rebalance to approximate MAI Investment Policy Guidelines (IPG) targets, approved by Trustees on June 27, we will shift approximately \$160k of our current cash to either stock or fixed income positions. We recommend that we implement this change at a gradual, consistent pace, distributed in equal monthly segments in the approved investment categories. Specific recommended action steps are:

- **Allocation pace:**

- Nine equal monthly transfers of \$18k starting in September 2020.
- Mid month transfers; on the 15th of each month.
- January 2021 Finance Committee check in on progress/pace.
- Nine months to May 2021 to implement.

- **Investment mix:**

- The majority of the rebalancing would be allocated into new stock ESG ETFs to reach 65% target. New investments initially focused on primarily mid and small cap categories.
- Fixed Income rebalances from approximately 15% of the portfolio to 25%

- Cash target is 10% at the end of plan implementation.

***1—Current Asset Classes vs. Investment Policy Targets:***

<b>July 31, 2020</b>	<b>\$ (000)</b>	<b>%</b>	<b>Investment Policy Guidelines Target</b>	<b>Investment Policy Guidelines Range</b>
Stocks	\$184	40%	65%	45-70%
Fixed Income	\$ 71	15%	25%	15-45%
Cash	\$211	45%	10%	5-20%
Total	\$466	100%	100%	100%

***2—Current Asset Allocations:***

**EQUITY - 40%**

Large Cap - 33%	2 ESG Mutual Funds
Mid Cap - 7%	1 ESG Mutual Fund
Small Cap	
International Developed	

**FIXED INCOME - 15%**

Taxable – 15%	- Series EE Savings Bonds- Interest 4% through September 2022 - UBS CD - Due 2021
Tax-Exempt	

**CASH - 45%**

Fidelity Cash Accounts

***3—Future Asset Allocations:***

**EQUITY - 65%**

Large Cap - 32%	2 ESG Mutual Funds (no change)	ETF 1 Large Cap Growth ESG ETF (Future rebalancing as needed)
Mid Cap - 18%	1 ESG Mutual Fund (no change)	1 ESG Mid Cap Growth ETF (Add in 20/21 rebalance)
Small Cap - 10%	1 ESG Small Cap ETF (Add in 20/21 rebalance)	
International Developed - 5%	1 ESG International Stock ETF (Add in 20/21 rebalance)	

**FIXED INCOME - 15%**

<b>Taxable – 15%</b>	- Series EE Savings Bonds- Interest 4% through September 2022 <sup>[1]</sup> - UBS CD - Due 2021 1 ESG US Corporate Bond ETF (add in 20/21 rebalance)
<b>Tax-Exempt</b>	

**CASH - 10%**

Fidelity Cash Accounts

New Investment Solutions\*:

Support & Revenue	\$55.4	\$170.0
Total Expenses	\$58.2	\$69.9
Gain/(loss) from Operations	(\$2.9)	\$100.1
Investment income & gains, PPP loan	\$16.9	\$4.2
Net increase in assets	\$14.0	\$104.3

\*(In thousands)

## **FY 20 results & FY21 Budget:**

### ***FY 20 Actual:***

- Slight operating deficit which is favorable vs. budget (\$16k deficit). Contributions better than expected; selected expenses (Forest Stewardship hours, Fire & Safety, fundraising support) favorable vs. budget.

### ***FY 21 Budget:***

- Strong support received from contributions (led by Wyeth) drives strong budget growth, despite pandemic influenced visitor counts.
- \$120k received to date, support expected to grow through continued member support, memberships and selected pursuit of grants.
- Expenses recognize/support continued fundraising, land matters, developing fire & safety best practices, and additional support for Monhegan based staff resources.

MAI was able to participate in the U.S. government's Covid-related payroll protection lending program, to cover salaries for Wildlands Coordinator Rebecca FitzPatrick and Mia Boynton, Burdick Said. MAI's bank, First Bank in Wiscasset, has recommended to the Small Business Administration that the loan be fully forgiven.

Farrell questioned whether MAI can continue to sustain substantial annual deficits. Burdick said an increase in the endowment to \$700,000 - \$800,000 should return enough money to close the budget gap. Responding to a question asking why AI doesn't use a calendar year budget, Faller said such a change would require the complex and tedious process of changing the bylaws.

Fundraising: discussion of fundraising included the \$100,000 grant from the Wyeth Foundation, and other grants in the \$5,000 - \$10,000 range, how best to thank donors, and how to encourage future contributions. Suggestions included recognizing donors on the MAI website as well as seeking more publicity for Monhegan Associates and its stewardship of the wildlands. Faller noted that one major donor expressed surprise that MAI needed money. Though endorsing the idea of recognizing donors on the website, he also cautioned that one of the recent donors asked to remain anonymous.

Faller also suggested creating a hand-bound coffee table book that consisting of a pictorial history of MAI, starting with founder Ted Edison, to present to major donors. Based on his research, Faller said the standard procedure for fundraisers is take 10% of a gift and use it to raise more money, which would pay for the book. Faller explained that the goal is to get enough money in MAI's portfolio so that the land trust doesn't have to worry about stock market performance in order to maintain the wildland.

### **Evening Annual Meeting:**

The Annual Meeting began at 7 pm on Zoom. A quorum was declared present by MAI inspectors of election Ann Hughey, Ben Odom and Jeanie Schnell. Minutes for the August 16, 2019 meeting were approved unanimously.

President Fred Faller moderated the meeting and urged members to volunteer to work with different committees and come up with a body of written policies on the stewardship of the wildlands that MAI can post on its website.

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Faller also said he had approached the boat lines about informing visitor about MAI's efforts to preserve the wildlands. The Monhegan Boat Line wasn't receptive to making announcements about the wildlands, while the Hardy Board agree to read a brief announcement to passengers, he said.

Faller informed the membership about MAI's lease of land for a tower to provide broadband Internet service to the island.

Reports were given by Vice President Richard Farrell, Treasurer Bruce Kerns, Glenn Burdick on behalf of the Finance, Nominating and Fundraising Committees, Bob Smith for the Budget Committee, MAI Wildlands Coordinator Rebecca FitzPatrick, Land Committee Chair Doug

Boynton, Trails Committee Co-Chairs Ian Leavesley and Rick Cameron, Ecology Committee Chair Nan Nelson, Fire & Safety Committee Chair Jes Stevens and Membership Chair Linda Rae.

Doug Boynton said the wind power project appears to have been revived with new corporate involvement. He mentioned Stephen Cooper's request to build a road for vehicle access through MAI property, and said that a MAI committee is working with the lawyers to understand how such a road would affect our land.

Fred explained that MAI has developed a template for committees to use in developing policies, starting with stating the reason for the policy, writing up the specific policy and researching requests.

Nan reported that the Ecology Committee is working on the Leave No Trace policy, and said that as stewards of the wildlands, we are asking that people not redecorate the land.

Jes, in her last report as chair of the Fire & Safety Committee, reported on challenges in responding to emergencies, such as lacking a safe space for injured hikers due to Covid restrictions (they have converted the rope shed as a temporary space). She has received a matching grant for firefighting gear, and reported that the Maine Forest Service is visiting on September 2. First responder training is scheduled for September.

Faller opened the floor to the general membership, and discussion followed on a number of topics: Sandra Dickson spoke of the need to replace old and "derelict" MAI boxes on the boats in advance of next year's summer season, as well as improving efforts to service the boxes. Faller said the Monhegan Boat Line has promised MAI kiosk space in its new building near the Port Clyde Dock, but declined to read aloud a short message about the wildlands to passenger. The Hardy Boat has agreed to read the message to passengers, he said.

The question was raised on how to get the younger generation involved. It was suggested that members reach out to young people in their families, and also to engage students at the island school in MAI activities.

In response to a question about MAI policy on using insecticide to kill wasps and hornets that are stinging hikers on the trails, Faller said the Trustees would vote later on a policy to use it only as a last resort.

A motion to accept the Treasurer's Report was approved unanimously.

MAI trustees election results for the Class of 2023 were: Daniel Bates, Adam Blumenthal, Sandra Mason Dickson and Gerry Vis.

The Annual meeting was adjourned. Following a break, all the trustees with the exception of Amelia Short reconvened and made the following decisions:

- Approved unanimously implementation of new investment policy guidelines discussed in the morning session for rebalancing the assets in MAI's portfolio.

- Postponed a vote on a new trails bridging policy for further vetting by the Trails Committee. Faller proposed that the trails policy be approved at the same time the trustees meet with Stephen Cooper to discuss his plan to cut a road through MAI conservation land to his property at Green Point.
- Approved unanimously a revised poison ivy policy.
- Approved unanimously a “Leave No Trace” in the wildlands policy.
- Approved unanimously a revised version of the policy on bees, wasps and hornets.
- Approved unanimously the appointment of Marlene Arvan as head of the MAI nominating committee.
- Approved the committee reports unanimously.
- Officers were unanimously re-elected.
- Three of the new trustees were sworn in by MAI lawyer David Soule. Gerry Vis wasn’t present for the Zoom session.