

DRAFT MINUTES
Addison County Regional Planning Commission Meeting
Wednesday, October 8, 2008

The ACRPC October meeting was held at ACRPC's office on October 8, 2008 with Fred Dunnington, Chair, presiding.

ROLL CALL:

Addison:

Orwell:

Bridport: Andrew Manning
Ed Payne
Mike Gamache
Mark Pumiglia

Panton: Michael Herman
James Durragh

Ripton: Jeremy Grip
Ted Dunakin

Bristol:

Salisbury:

Cornwall: Mary Dodge
Ralph Teitscheid

Shoreham:

Ferrisburgh Bob McNary

Starksboro:

Goshen:

Waltham:

Leicester:

Weybridge:

Lincoln: Steve Revell
Dave D'Allienne

Whiting: Ellen Kurrelmeyer

Middlebury: Brian Bauer
Fred Dunnington

Vergennes: David Austin

Monkton: Thea Gaudette
Charles Huizenga

New Haven:

CITIZEN INTEREST REPRESENTATIVES:

Addison County Farm Bureau:

Kent Wright

Addison County Economic Development Corp:

Otter Creek Audubon Society:

Marcia Parker

Otter Creek Natural Resources:

Addison County Chamber of Commerce:

ACRPC EXECUTIVE BOARD

Chair: Fred Dunnington

Vice-Chair: Bob McNary

Secretary: William Sayre

Treasurer: Thea Gaudette

At Large: Jeremy Grip

Bruce Webster

Ellen Kurrelmeyer

STAFF

Executive Director: Adam Lougee

Assistant Director/GIS Manager: Kevin Behm

EMS/Senior Planner: Tim Bouton

Transportation/Senior Planner: Richard Kehne

Land Use Planner: Elizabeth Golden

Office Manager/Bookkeeper: Pauline Cousino

October 8, 2008 MEETING

Program: Ken Perine, President, the National Bank of Middlebury, Local Implications of the National Financial Crisis:

Fred Dunnington introduced Ken Perine to begin the program at 7:35p.m. Ken began the program by noting that he is an optimist and people should view his remarks in that light. Ken began his discussion by noting that the current financial crisis had its origins, in his opinion, in two events from 1999. One was the opening of Fannie Mae to larger markets. The second, also in 1999, was the removal of the Glass/Siegel Act that tore down the firewall between banking and investments. The investment houses decided that they could operate banks as they operated their investments.

He noted that debt to income ratios have significantly increased since when he began banking. Every one was increasing them to compete and they could sell the paper on the secondary market.

Ken described 4 types of financial instruments that relate to the crisis:

1. Mortgage backed securities – A pool of mortgages purchased by generally long-term institutional investors. Mortgage backed securities may be good or bad depending upon the value of the underlying security (Are the people paying their mortgage?). National Bank of Middlebury has an interest in some mortgage backed securities, but they are all Triple A mortgages; overwhelmingly single-family, owner occupied, low debt to equity ratio instruments.
2. Collateralized Mortgage Obligations- Generally similar to mortgage backed securities, but they tend to be mortgages given to secure some debt, not necessarily related to the property securing the mortgage.
3. Collateralized Debt Obligations – Generally commercial paper from companies, not mortgages, bundled into a financial instrument sold to institutional investors.
4. Credit Default Swap Instruments – Generally, insurance taken as a hedge against loans.

Credit Default Swap Instruments are where the biggest problems in the system occurred. No one was regulating the mortgage brokers. They lent huge sums on thin assets and then spread the risk through credit default swaps. When loans started to go bad a number of big institutions did not have the cash to cover their short –term insurance obligations.

The market became concerned that no one might be liquid enough to cover the collateral if they defaulted. When AIG failed, every one panicked. The banks lost faith in the credit markets. The crisis of confidence started at the top with lenders and permeated down to every one.

The government had to do something to try to step in and calm the markets. They needed to restore confidence. The bailout is starting to do that. It has helped a little, but the markets continue to slide. The fed has since done two other extraordinary things. First, they lent to corporations directly. Second they lowered the prime rate in an emergency meeting.

Ken believes that we will continue to see losses in the market. Some additional banks will fail. However, it will not be catastrophic. He believes we are close to the bottom of the market, so selling does nothing. He notes he could be wrong, however, he also believes NOT panicking is the only sane thing to do.

Ken opened the floor for questions.

Fred Dunnington asked whether there is a local credit crunch. Ken said no. The National Bank of Middlebury and all local banks he knows of have cash to lend. They may have tightened credit standards a little, but for the most part, things are business as usual. Ken noted that a lot of money had flowed into most local banks since September 15th. He currently has excess liquidity from people putting money in the bank. However, he notes that he is uncertain how long it will be in the bank. Generally, it is in checking accounts, so he is reluctant to make long term loans against these reserves.

Addison County has not felt repercussions of this locally, it may not. Mortgages have slowed in the last 6 months, but lending was very strong in the first 6 months of 2008. There are fewer applications, not more people are being denied.

Jeremy Grip asked how many loans the national Bank of Middlebury sells to secondary markets. Ken responded that the bank had a portfolio of \$90M and had sold \$35M into the secondary market. That sale allowed him to make a lot more loans by providing the bank with extra liquidity.

Mike Herman noted that yesterday he refinanced his house for under 5%. There appeared to be a lot of liquidity in the market. Mike asked how many dollars the government is printing and how will that impact inflation? Ken stated he didn't know the answer.

Mike also asked who will get hurt on this bailout? Ken noted that some tax-payer money will be lost. It will not be \$700 Billion Dollars.

Ralph Teitscheid asked whether there was any scenario that could bring a local bank down. Ken noted that he had thought about this a lot. His biggest concern was if the feds potentially requiring all mortgages to mark the mortgages to market. Then they could force cuts in capital. However, he does not think this will happen.

Ed Payne asked if a weaker dollar would allow American manufacturing to come back. Ken responded, "No. If they are gone, they probably will not come back. But it could help the manufacturer's that remain."

Bob McNary asked about an old farmer's home program that subsidized some lower income mortgages. He felt it worked well, but disappeared. Why can't we bring that back. Ken did not know the answer, but agreed that it was a good program that has been replaced in this area by VHFA. The bank has had very good success with VHFA loans.

Jeremy Grip asked why the last two investment banks were changed into commercial banks.

Ken did not know why.

Marcia Parker asked whether this was just caused by greed.

Ken responded that he thought it was.

Kevin Behm asked about the rating system and how these sub-prime loans were triple AAA rated. Ken replied that Kevin had asked a good question, but stressed that good underwriters knew the value of the underlying collateral, regardless of the rating.

Jeremiah Parker asked how this might impact Vermont's first time home-buyers.

Ken noted that VHFA's ability to sell bonds might be limited, but Vermont should only see secondary effects.

Ken also noted that Mortgage Brokers were really at the heart of this crisis, not traditional bankers.

Michael Herman asked "What sized company is too big to fail?" Ken responded that he agreed that too big to fail was a moral hazard. It is a double standard and he could not answer the question further.

In his closing remarks, Ken noted he thinks that someone will buy these mortgage backed securities, but at a much discounted price. The best solution will be to keep people in their houses for all, including the taxpayers.

Business Meeting:

Call to Order: 8:54 p.m.

Fred Dunnington, Chair of ACRPC called the meeting to order. He welcomed all in attendance and moved quickly to the agenda.

Approval of Minutes: Ellen Kurrelmeyer moved to approve the September minutes. Bruce Webster seconded the motion. Fred made some minor corrections to the portion of the minutes concerning the Middlebury Hydro project. **The motion to approve passed unanimously as amended**

Executive Board Minutes: Fred noted that we have the September Minutes in our packets. There were no questions.

Treasurer's Report:

Adam Lougee gave the Treasurer's Report. He noted that we are transferring money from our money market account to our account for expenses, which is normal. The monthly budget report is year-end. Adam believes that although it currently shows a deficit, we will still break even because he has three bills from the last fiscal year that are not reflected in the budget. **Bob McNary moved we accept the Treasurer's Report. Bruce Webster seconded the motion.**

The Treasurer's Report passed unanimously.

Committee Reports:

Act 250/Act 248: Ellyn Kurrelmeyer reported that there is one new application. The Shoreham Service Center is amending its permit to expand its facility slightly. Adam Expects the District 9 Environmental Commission will treat this as a minor request, unless an objection is made and none has been made at this time.

Ellen also noted the District 9 Environmental Commission issued a Jurisdictional Opinion to Shenandoah LLC and a group of companies owned or controlled by David Shlansky in Vergennes noting they will need to get Act 250 permits should they develop more housing units.

Brownfields: Jeremy Grip reported that the committee met to review the RFPs we had received for consulting on our Brownfields projects. Jeremy asked that the committee get together after this meeting.

Energy: The Committee continues to be very active. On September 12, the Energy Committee toured Denecker Chevrolet's new sales showroom in Ferrisburgh. Tom showed us how the use of some common building materials, combined with good design techniques can create an energy efficient, bright, and warm environment. On September 25, our monthly Energy Program was "Wood Supply for Space Heating." Adam Sherman was our speaker. It drew a very knowledgeable audience which created a quality discussion. Adam reported that the collapse of the wood cutting industry in Vermont is a serious deterrent to a major wood pelleting operation siting here in Addison County. On October 3, the Committee toured Nathaniel Electronics plan in Vergennes. Their business is designing and assembling operating room equipment. In addition, they have received a \$250,000 grant to design and build a solar collecting process which, if perfected, will create a proto-type which increase the power of the sun at point of contact by 500-600 times. On October 4, we offered a day-long workshop on "Building Systems Emergency Preparedness" featuring Fred Lugano, a retired buildings system expert. The program was designed specifically for social service agency staff and volunteers who will be providing emergency fuel assistance this winter. The program was conceived, produced and directed by Elizabeth Golden. The result of this extraordinary effort is a set of videos, totaling four hours, covering weatherization science, diagnostics, weatherization practice, and emergency measures. Looking ahead, on Thursday, October 23 at 7 p.m., we will present an Energy Program on "Financing Renewable Energy Projects."

Local Government: Nothing to report at this time.

Natural Resources: Kevin Behm reported that the committee worked on the natural resources section and then will move to the Scenic and Cultural Section. reported that the Committee is working on the forestry section, but did not meet last month. Andrea sent a written report for Adam to read, as she has another commitment for this evening which is a mandatory meeting. The Natural Resources Committee is on track to complete the revisions to the Natural Resources Plan for re-adoption at our May 2009 meeting. The current make-up of the Committee, prior to adding new members, has a small but mighty core. The current and new members have to make a commitment to make the meetings so that we will continue to stay on track and have enough diverse input to create the best Plan for the County. She reported that it has been a pleasure to serve as Chair over the past year and that she looks forward to the coming year.

TAC: At its September meeting the TAC rated the Enhancement Grants of Bristol and Middlebury. It also discussed the state of the infrastructure in the region.

Economic Development: No items to report.

Delegate/Staff Recognition: Caroline Carpenter is a new Representative of HOPE and resident of Salisbury. Jim Durraugh is a new alternate from Panton. The commission welcomed both new members.

Old Business:

Public Safety District Liaison for VEM: Adam noted that he expected this program to move forward and expected contracts shortly. Tim Bouton will be the lead Liaison for Troop District C (Addison, Rutland and Bennington Counties). Rutland will serve as the administrative lead for this district. Adam noted he was pleased with the way things worked out.

Other: None.

New Business:

Grants Outreach: Adam noted that grants outreach to the towns is a service he wants to continue to promote. He noted we continue to include a lot of grant information in our newsletters and delegates should review it regularly for projects that might benefit their towns. He also noted that Elizabeth was currently working with a number of towns on Municipal Planning Grants.

Supply of Orthophotos to Towns: Adam noted that the Vermont Center for Geographic Information Systems is currently working with the Tax Department to investigate supplying orthophotos to the towns. If VCGI takes on this responsibility, it will probably

sub-contract local delivery to the rpcs, potentially expanding the services we offer in return for a relatively small yearly sum.

Land Use Report to Legislature January 2008: Adam noted that the last legislature charged the rpcs with delivery maps depicting the location of water and wastewater infrastructure in relationship to village zoning or “growth centers”, to help the legislature better understand the big picture issues it has been discussing. Kevin Behm will lead that effort on behalf of ACRPC.

Other: None.

Adjournment:

Charlie moves to adjourn. Bob seconded the motion. The meeting adjourned at 9:34 p.m.

Respectfully submitted,

Adam Lougee