

Centre County Library and Historical Museum Board of Trustees
Thursday, August 22, 2019
6:30 p.m.
Historical Museum, Bellefonte, PA

Trustees Present: Matt Bonchack, Helen DeFilippis, Karen Drosnes, Melissa Hombosky, John Sengle, Richard Thompson

Guests Present: Michael Rosenberry, auditor; Carl Inglesby and Lindsey Kurtz, prospective trustees

Staff Present: Denise Sticha, Robbin Degeratu

Call to Order: John Sengle, President, called the meeting to order at 6:31 pm.

Review and Approval of Minutes: Hombosky made a motion to approve the minutes of the July 25, 2019 Board of Trustees meeting. Bonchack seconded. Motion carried.

Approval/Amendment of the Agenda: Sticha suggested amending the agenda to move presentation of the audit ahead of reports. Bonchack made a motion to approve the agenda as amended. Drosnes seconded. Motion carried.

New Business:

Presentation of the Audit: Rosenberry provided an overview of the report, highlighting the opinion and new accounting pronouncements. He noted that the 990 is forthcoming, and that items on the 990 such as programs and fundraising are tracking as acceptable for a nonprofit. Drosnes made a motion to approve the audit as submitted. DeFilippis seconded. Motion carried.

Approval of Reports:

Finance Report: Sticha briefly highlighted items on the profit and loss statement, noting that she and Finance Assistant Michele Reese will continue to monitor fines and fees, as well as salaries. Noted that Useful purchase was made and will appear on August financial statements; part of this purchase will be reimbursed by E-Rate. Sticha and Reese continue to monitor maintenance contracts. Sticha noted that programming tracks high because of Summer Learning Program expenses, which are covered by directed donations; this will be categorized differently in the next budget year. Bonchack noted that the library's insurance policies are up for renewal in September, and that the library may want to consider a cyber liability policy. Following discussion, Sengle directed Sticha to request a quote for this coverage and purchase if appropriate. DeFilippis made a motion to approve the Finance Report. Thompson seconded. Motion carried.

Director's Report: Sticha noted that new part-time hires have been made in the Pennsylvania Room (Judy Dombrowski) and at Centre Hall (Gayle Swales). Also noted that library is bringing on a new staff member through the Associations for Training and Development/Senior Employment Program for 20 hours per week split between Centre County Library and the Pennsylvania Room. Sticha recapped times that the Bookmobile was out of service in August due to inspection, repairs, additional repairs following a gas leak, planned vacation, and a family emergency for staff. Sticha finished by announcing upcoming events that the library is involved in, including Constitution Day on September 15, 2019, the StoryWalk launch at Autumnwood Park on September 28, 2019, and the StoryWalk Launch at Tri-Municipal Park on November 2, 2019.

Old Business:

Keystone Grant Update: After rebidding the project, a new bid from Hazel's of Bellefonte was accepted, which the County is currently working to finalize. The accepted bid exceeds the original budgeted cost due to prevailing wage; Sticha and Sengle are working to request financial support for the difference from the Centre County Commissioners, Philipsburg Borough, Representative Scott Conklin, and the Friends of the Holt Memorial Library. Once project is signed off on, work can begin within two weeks.

Museum Roof Update: CCL&HM has a signed contract with Von Kensinger & Sons, and is in the process of making the payment of the first half of the project. Tourism Grant money will be used to assist with this expense, and the library expect to receive a check from the Central Pennsylvania Convention and Visitor's Bureau within the next month.

Centre Hall Parking Lot Lights Update: Sengle spoke to two contractors and has received one bid to put upgraded, high-efficiency lighting in. Will present recommendation to Board at September meeting.

Committee Reports:

Finance Committee: The Finance Committee presented its recommendations for financial actions, which the Board requested be filed with the minutes in their entirety. Hombosky made a motion to approve the Finance Committee Recommendations for Financial Actions by the CCLHM Board of Trustees dated August 2019. Bonchack seconded. Motion carried. Recommendations included at end of minutes for reference.

Sticha presented the three bids received for auditing services for the next three years from ARO & Company, Hopkins and Company, and Maher Dussel. Board reviewed proposals and projected cost for three-year period, and discussed references. Hombosky made a motion to approve request for a letter of engagement with ARO & Company for auditing services for the next three years for the board to review at its September meeting. Bonchack seconded. Motion carried.

Personnel Committee: DeFilippis noted plans for the staff holiday party, and indicated that Sticha would talk to staff about preferences.

Nomination Committee: Sengle noted that there are four prospective Trustees who may be interested in joining the Board. DeFilippis also noted that she has identified someone to assist as a committee member.

Fundraising Committee: Sticha outlined rough plans to host an 80th anniversary event at Centre County Library on Thursday, October 24th immediately prior to the Board of Trustees meeting. Hombosky suggested that successive events celebrating the 80th anniversary could take place quarterly at other locations.

DeFilippis presented an idea for passive fundraising, but also invited additional ideas from the Board. The Fundraising Committee is also working on this year's annual fund drive, targeting the idea of designing it as an invitation to give to help raise \$80,000.00.

Strategic Planning:

Centre Hall Expansion Project: Sticha began the conversation by reviewing a list of questions that she and Sengle compile related to the project, and noted that in her professional opinion, an expansion is necessary to meet the needs of the community. Discussion centered on contingencies related to partnership and fundraising. Bonchack made a motion to authorize Sengle to draft a letter expressing willingness to support a mortgage for the Centre Hall expansion that will be distributed to the Board for review. DeFilippis seconded. Motion carried.

Executive Session:

Drosnes made a motion to adjourn the meeting to enter executive session to discuss personnel matters. Bonchack seconded. Motion carried. Meeting adjourned to enter executive session at 8:40 pm.

Bonchack made a motion to end the executive session and return to the regular meeting. DeFilippis seconded. Motion carried. Executive session ended at 8:59 pm.

Adjournment:

Bonchack made a motion to adjourn. DeFilippis seconded. Motion carried. Meeting adjourned at 9:00 pm.

Respectfully submitted,
Robbin Degeratu
Administrative Director

Finance Committee Recommendations for Financial Actions by the CCLHM Board of Trustees

August 2019

CCLHM Board Members,

What follows is an itemized number of recommendations from the CCLHM Finance Committee (Janet Santostefano, Karen Drosnes, and John Sengle) to the full CCLHM Board for your review and consideration for approval by motion/second and Board vote. Each of the detailed items reflect the discussions and deliberations of the Finance Committee in collaboration with our Executive Director Denise Sticha and our Finance Assistant Michele Reese. Each of these specific recommendations reflects our intent to accomplish several goals with respect to our overall CCLHM finances, as follows;

- 1) Achieve an overall simplification of our financial assets with respect to the number and complexity of tracking, accounting and budgeting for the various accounts CCLHM holds, and the varying donor restrictions associated with some of those accounts. As a result, we attempted to consolidate, and/or draw down/liquidate various accounts where those actions enable us both to address existing or near term financial needs, and consolidate accounts with the same donor restrictions.
- 2) Within the confines of maintaining the safety of investments, to maximize the rate of return on the assets CCLHM holds, while maintaining the liquidity of those funds to address unplanned needs that may arise, and to comply with the restrictions that fund donors may have placed upon bequests.
- 3) Enhance the visibility of existing CCLHM funds to potential donors that may be considering a donation or estate plan that includes planned giving to CCLHM, and enhance our presence and participation in the local Centre Foundation, both as a fund holder and as a potential grantee for funds the Foundations regularly makes available to local non-profits like ours.

We would ask that the CCLHM Board consider each of the following proposed actions for discussion, and if it is the consensus of the Board, we ask for motion/second and Board vote for approval, as follows; (amounts listed in the accounts in the descriptions below are based upon July 31, 2019 data and may fluctuate up or down based upon market fluctuations until the time of actual transfer or closeout)

- 1) We recommend the transfer of the entire \$525,997.38 currently deposited with Northwest Savings/LPL Investments (which was ½ of the Elliot Potter Bequest to CCLHM) into a Spendable Organizational Endowment with the Centre Foundation. Customer service and communication with Northwest/LPL has frankly been abysmal, and based upon recent history we would expect a better rate of return on those monies without losing the ability to withdraw our funds at any time. Timing of the transfer would depend upon when routine earnings are posted by LPL and processing paperwork with the Centre Foundation, and we would expect to in some way retain the Potter name in naming the endowment. The CCLHM Board had previously placed a restriction on the use of any of the initial Potter principal funds for capital improvements, but given that the recently approved CCLHM Investment and Financial Practices Policy requires Board notification and a formal Board vote for withdrawal of any monies from investment accounts we recommend removing that restriction to allow this Board and future Boards the maximum flexibility in responding to any future financial needs.

- 2) We recommend the transfer of the entire \$375,234.16 of the Janet Woods Bequest, which had been temporarily placed in an FNB Money Market account into a Spendable Organizational Endowment with the Centre Foundation. The Janet Woods bequest was restricted by the donor for use at the historical museum (both capital needs and operating funding), so this fund would be designated in some way as the Janet Woods Centre County Historical Museum Fund or the like. This would create a “visible” fund at the Centre Foundation dedicated to the historical museum which may attract potential donors, it should improve our current rate of return on a rather large fund, direct earnings specifically toward museum capital and operating needs, and allow the Executive Director to more effectively plan for museum funds available to our annual budget from those fund earnings.
- 3) There are (2) existing smaller funds that are currently donor restricted to use at the museum, specifically the Sieg Room Fund at \$15,723.70, and 70% of the Womer Estate Fund at \$34,635.18. We recommend that the combined ~\$50,000.00 in those (2) accounts be utilized to pay for the upcoming museum roof/gutter project (estimated at ~\$44,000.00), and that all monies remaining from both funds after paying for the roof/gutter project to be placed into the Janet Wood Historical Museum Fund at the Centre Foundation. This transfer simplifies the number of accounts to track and allocate earnings from, complies with the donor’s original wishes to fund museum needs, and should improve the earnings rate on the residual funds.
- 4) We recommend that the Neilly Estate PA room Fund of \$15,871.03 continue to be drawn down over the coming several years, as it has in years past, to pay for the Proquest/Ancestry.com or equivalent genealogical databases until the fund is closed out. Future monies for genealogical databases and PA Room operations and services can be budgeted from regular earnings generated by the Janet Woods Organizational Endowment at the Centre Foundation as part of the normal annual budget process.
- 5) There are (2) additional small funds, the McCoy at \$21,290.44 and 30% of the Womer Fund at \$10,486.02 that are unrestricted and available for library usage at the Board’s discretion. We recommend that the combined ~\$32,000.00 from these funds be used to fund several critical and long-delayed projects, including; 1) the upcoming renewal of the 3-year Useful contract (which includes the replacement of all the patron computers across the CCLHM system, and the software and service contract for those same computers), 2) repairing and upgrading the failed outdoor/parking lot lighting at the Centre Hall Branch, and 3) addressing the security concerns at the Holt Library. All residual funds remaining after completing these noted projects to be placed in the FNB Operating Money Market Fund.

We suggest moving forward, that as any of the above recommended transfers, or close outs, or any future transfers or closeouts of investment funds occur, that they be fully documented in the relevant CCLHM Board meeting minutes so that there is a documentation trail in the event any questions arise at a later date about the fate of various funds or bequests. In the long run it is our hope that as a result of these recommended changes the overall investment fund portfolio will be much simpler to track and administer, should provide a better and hopefully more predictable rate of earnings on principal, generate a more reliable revenue stream for annual budgeting that utilizes earnings from the various funds, and enhance CCLHM’s visibility to potential local donors through the Centre Foundation.

We met several times with Molly Kunkel of the Centre Foundation, and after those meetings she provided historic earnings information specific to our existing CCLHM endowment fund (NOT a spendable endowment) as well as answered a number of specific questions we had from our discussions. Feel free to check out their website for a more in-depth look at their organization. The attached table with % quarterly/yearly earnings or losses and quarterly/annual disbursements reflects the overall guiding mission of the foundation to provide consistent and sustained **earnings*(disbursements)** across the full range of market cycles for non-profits. For the past ~10 years, their investment committee paid out in the range of 4-5% **earnings*(disbursements)** (after Foundation fees) on endowment principal. So we ***(received payments equal to)** 4-5% interest during several years when actual earnings on the Foundations portfolio were significantly >10%, and several years when actual earnings were well below 4-5% or even negative, and those sustained and relatively consistent payouts jibe with the Foundation's mission. **In a year when actual earnings are higher than the payout or disbursement the principle will go up in value, and of course when the actual earnings are lower than the payout the principle will go down.** Payouts from the Foundation can be paid directly to CCLHM for various budget line items on a quarterly or annual basis or rolled back into the fund to increase the principal, but everyone should be clear that the Foundation "payout" to its participating non-profits are exactly that, a payout determined by the Foundation Investment Committee that they believe they can sustain over the long-term, recognizing that the true earnings from the investments may be dramatically higher or lower than the payouts for any given quarter or individual year. There is good transparency with respect to who the local directors and finance committee are, and the policies and guidelines that guide their investment policy. We also felt there was merit in becoming a bigger participant in a local Foundation, as a way to enhance our own visibility to potential donors in the larger Centre County community, and also be a more active participant in a Foundation that has in the past provided grant funding for several of our own CCLHM library projects.

It's safe to say as well that our hope is that the residual 50% portion of the Potter bequest(\$541,133.49) that sits in an investment account with First National Bank is an account where we should sit down in the coming months with folks from FNB to evaluate our current investment policy targets (%'s in stocks, versus bonds, etc.) and determine if we could improve earnings without substantially affecting the safety of those funds by having the Board re-visit the guidelines that the Board gave to FNB several years ago. That may or may not be a decision we make based upon market fluctuations, but it's a discussion we should at least have with FNB.

I apologize this got so long, and I'm sure there's questions I haven't addressed, but I wanted everyone to have a pretty good feel for what we were recommending ahead of meeting time, as we have a full slate for our August meeting.

Thanks, John

Date	Quarter Return	Annual Return	Avail for distributio n
3/31/2008	-5.61%	-0.10%	5.00%
6/30/2008	-0.11%	-4.20%	5.00%
9/30/2008	-10.00 %	-15.80 %	5.00%
12/31/2008	-10.83 %	-24.30 %	5.00%
3/31/2009	-5.82%	-24.50 %	4.00%
6/30/2009	14.25%	-13.60 %	4.00%
9/30/2009	12.68%	8.10%	4.00%
12/31/2009	4.08%	26.20%	4.00%
3/31/2010	3.59%	38.80%	4.00%
6/30/2010	-5.41%	14.90%	4.00%
9/30/2010	8.89%	11.00%	4.00%
12/31/2010	5.93%	13.00%	4.00%
3/31/2011	3.29%	12.70%	4.00%
6/30/2011	0.61%	19.90%	4.00%
9/30/2011	-9.63%	-0.50%	4.00%
12/30/2011	5.05%	-1.30%	4.00%
3/31/2012	7.95%	3.10%	4.00%
6/29/2012	-1.18%	1.30%	4.00%
9/28/2012	4.22%	16.80%	4.00%
12/31/2012	1.81%	13.20%	4.00%
3/31/2013	4.49%	9.60%	4.50%
6/28/2013	-0.09%	10.80%	4.50%
9/30/2013	4.91%	11.50%	4.50%
12/31/2013	4.79%	14.80%	4.50%
3/31/2014	1.24%	11.20%	4.50%

6/30/2014	3.28%	14.90%	4.50%
9/30/2014	-2.06%	7.30%	4.50%
12/31/2014			
4	0.65%	3.10%	4.50%
3/31/2015	2.09%	3.90%	4.50%
6/30/2015	-0.15%	0.50%	4.50%
9/30/2015	-5.26%	-2.80%	4.50%
12/31/2015			
5	2.97%	-0.60%	4.50%
3/31/2016	0.35%	-2.30%	4.25%
6/30/2016	1.36%	-0.80%	4.25%
9/30/2016	3.25%	8.10%	4.25%
12/30/2016			
6	0.44%	5.50%	4.25%
3/31/2017	4.52%	9.90%	4.25%
6/30/2017	3.28%	11.90%	4.25%
9/29/2017	3.61%	12.30%	4.25%
12/31/2017			
7	3.94%	16.30%	4.25%
3/31/2018	0.09%	11.30%	4.25%
6/30/2018	0.77%	8.60%	4.25%
9/30/2018	2.42%	7.40%	4.25%
12/31/2018			
8	-6.90%	-3.80%	4.25%
3/31/2019	7.81%	3.60%	4.25%