Present: Ms. Butts, Mr. Seifullah, Mr. Corrigan, Ms. Rodriguez, Mr. Hairston, Mr. Parker
Absent: Ms. Thomas

Mr. Seifullah called the Joint Finance & Human Resources Committee Meeting to order at 12:07 p.m.

**Presentation:** Endowment Portfolio Glen Danahey, Glen Danahey, Senior Vice President, Senior Institutional Investment Advisor, PNC Institutional Asset Management

Before he gave his detailed presentation on the Library’s Endowment Portfolio Review as of December 31, 2020, Mr. Danahey noted that the fourth quarter information was not yet available to share in the Capital Markets Review section of his material and is only through the third quarter.

Mr. Danahey made available a PowerPoint presentation that included but was not limited to the following:

**Capital Markets Review**

Key Themes as They Relate to Our Investment Process
- What potential investment opportunities look attractive or unattractive? Long term
- Identifies investment opportunities while maintaining a long-term view
- Is imperative for longer-term return expectations, but not as useful for near-term market forecasts
- Is an asset over/undervalued relative to history/other assets

Where have we been, where are we going? Medium term
- Business cycle growth underpins corporate earnings cycle
- Helps calibrate current valuation level
- Stages of the business cycle and their impact on asset class, sector, and industry performance: slowing expansion, contraction, recovery, and accelerating expansion.

When should we implement? Short term
- Supports shorter-term execution
- What are price trends telling us about near-term market behavior
Valuation Analysis
- The S&P 500® forward price-to-earnings ratio reached 23.3 times (x), a 20-year high, before finishing the quarter at 21.5x, still one of the highest levels since 2000 and far above the 20-year average of 15.4x. Context is key, however, as an accommodative Federal Reserve, negative term premiums, and a likely range-bound 10-year Treasury yield for the foreseeable future are likely to keep equity valuations elevated.
- Forward price-to-book and price-to-sales metrics also spiked to 20-year highs over the quarter before moving back down, but remain at some of the highest levels since the early 2000s. In our view, these elevated valuation metrics show equities are pricing for perfection, suggesting that financial markets may be subject to periods of additional volatility should investors’ outlooks not materialize.

Business Cycle Analysis
- We believe we are still in the beginning of a recovery from the recession officially declared in February. Some areas of the economy have improved more quickly than others, but we are far from out of the woods.
- We continue to observe a variety of higher frequency data points to gauge the progress of reopening. A few of these metrics include weekly mortgage applications, Johnson Redbook weekly same-store sales data (year over year), public transportation data (Movit Public Transit Index), restaurant bookings through OpenTable, and airline passenger bookings (TSA). None of these data points suggest a V-shaped recovery, as most moved sideways over the quarter.

Technical Analysis
Most major indices finished the quarter with market breadth (percent of stocks trading above their 200-day moving average) above the 50% threshold typically associated with a healthy market environment. One-month implied correlations between S&P 500 constituents fell from 0.49 to 0.38. This suggest to us that while macro headlines can still quickly guide markets in the short term, a greater degree of price discovery is starting to emerge.

Investment Philosophy
We believe markets can be inefficient, and investment opportunities are ever-changing. A thorough understanding of the past, combined with rigorous analysis of the present, gives us insight into the most probable future outcomes.

How We Invest
- Focused on Goals
- Our process begins by understanding each client’s needs and objectives.
- Flexible
- We build portfolios tailored to each client’s unique investment needs, restrictions, and values.
- Deep Analysis
- Robust quantitative analyses combined with strong qualitative research can help generate meaningful insight not attainable by either method on its own, so we use both to help derive the most optimal portfolio solutions for clients.
Our Approach to Markets

Dynamic - Markets evolve and portfolios need to adjust accordingly to generate superior returns.
Long-Term View - While markets are ever-changing, we believe patient investors can capitalize on persistent long-term trends.
Value Oriented - We seek to identify investment opportunities that are undervalued and/or mispriced by the market.
Integrated - Our strategy, manager research, market/investment risk, and portfolio management teams work together so that our best thinking is reflected in each investment decision.
Transparent - Investors who know what they own, and why, typically have greater conviction in their portfolios and may get better results because they stay the course when markets are stressed.
We strive to be clear and set expectations up front to help investors have confidence in what they own.
Open Architecture - We believe skilled active managers exist and can be identified, but there are sectors and times when passive implementations are optimal.
Always with an Eye on Risk - There are many risks to worry about when investing, including shortfall, volatility, unintended exposure, liquidity, and operational risks.
We use a rigorous risk management framework monitoring these risks to help maximize the probability of investors reaching their goals.

2020 PNC Diversity, Equity & Inclusion Advancements
- $1b commitment to help end systemic racism and support economic empowerment of African American and low- and moderate-income communities
- PNC Board of Directors’ committee exclusively focused on Equity & Inclusion
- Chief Responsibility Officer’s role is to help drive these changes and ensure we improve recruiting, retaining and advancing diverse talent at PNC
- The appointment of two Black Executive Committee members at PNC, including Carole Brown, head of PNC’s Asset Management Group (AMG).

Executive Summary
United States Economy
- While some sectors improved much more quickly than others, the broader US economic recovery downshifted during the third quarter and faced a variety of challenges.
- Unprecedented stimulus may limit near-term damage, but a more sustainable recovery depends on a decline in new virus cases and resumed demand in the service economy.

International Economy –
Pockets of Europe and Japan have slowed reopening plans due to a rapid increase in coronavirus cases, slowing the momentum of an already choppy economic recovery.

Global Monetary and Fiscal Policy
- Global central banks have maintained unprecedented levels of monetary policy support, including cutting rates and implementing a variety of new, nontraditional policy measures.
Updates from the Federal Reserve (Fed), including the adoption of average inflation targeting, underscore our expectations of a “lower for even longer” interest rate environment.

- However, the expiration of fiscal stimulus in some countries is becoming increasingly problematic. Since monetary policy alone cannot bridge the gap while economies reopen, fiscal stimulus targeted toward small businesses and employment benefits remains critical.

Corporate Earnings
- Second-quarter earnings contracted 31.6%, the steepest year-over-year decline since fourth-quarter 2008, and just 3 of 11 sectors posted positive earnings growth. However, results were much better than the -44% expected. Third-quarter earnings growth is estimated to be -21.1%.
- Consensus expectations for 2020 earnings growth of -19.0% are sharply lower from 2019’s 1%. While the 2021 growth estimate of 25.6% is robust, achieving this growth would only get 2021 S&P 500 earnings-per-share back to $166.17, just slightly higher than the 2019 level.

US Equity Markets
- Domestic equities continued their impressive rally for a second straight quarter against a backdrop of unprecedented stimulus, better-than-feared earnings growth and economic data, and vaccine optimism. However, rising uncertainty about renewed fiscal stimulus and US politics created pockets of volatility later in the quarter.
- Since the recession brought on by COVID-19 was atypical in that a bubble did not burst within large cap, we believe the economic recovery is likely to continue to favor large-cap stocks tied to the “stay at home” trade. We believe the market will have a choppy fall with ongoing virus and political concerns.

International Equity Markets
After recovering further and experiencing additional multiple expansion during the third quarter, international equities still remain attractively valued on a relative basis.

Fixed Income Markets
- Taxable fixed income markets continue to chart a path higher in the face of a lower for even longer interest rate environment thanks largely to unprecedented liquidity.
- At current valuation levels, most fixed income asset classes still look rather expensive to us, with exceptions in areas/sectors that have not been included in Fed programs and those with outsized exposure to macroeconomic headwinds.

Alternative Assets
In a growth-starved and yield-starved world, other asset classes continue to provide value by typically offering diversification and alternative sources of yield.

Commodities
- The Bloomberg Commodity Index rose 9.1% over the quarter as investors continued to heavily favor precious metals, and the US dollar depreciated by the most in any quarter since 2017.
After an exceptionally volatile second quarter, energy prices remained subdued as an oversupplied (with still relatively weak demand) oil market has kept a lid on prices.

The Good, the Bad, and the Ugly’

The “Good”
- Unprecedented Federal Reserve actions
- Widespread global policy accommodation
- Quality income generating investments
- Virtual private networks (VPN)
- E-commerce utilization/ adoption
- Dollar weakness?
- 5G technology innovation
- Fewer regulations? (energy, etc.)

The “Bad”
- Global economic growth “brownout”
- Elevated market volatility
- Expired fiscal relief packages
- Political polarization
- Sharp plunge in consumer confidence
- Lack of earnings guidance
- Absolute valuations
- Falling inflation-adjusted yields
- Slowdown in capital deployment
- Oil supply/demand dynamics
- Rally in “store of value” assets
- Brexit uncertainty
- Stakeholders over shareholders?
- Geopolitical tensions

The “Ugly”
- Crisis of confidence/social unrest
- Labor market disruptions
- Global deficits/debt levels
- Global populism
- US-China power struggle
- “Nonbank” lending
- Global entitlement funding
- State/local financial stress
- Potential pension underfunding
Market Commentary

US Economic Review
While some sectors improved more quickly than others, the broader US economic recovery downshifted in the third quarter and continues to face a variety of challenges

Quickly shifting Economic Narrative
- GDP (quarter-over-quarter annualized) contracted 31.4% in the second quarter. It was the largest and perhaps most atypical drop on record due to the self-imposed economic lockdown to curtail the spread of COVID-19.
- The third quarter was largely the opposite, characterized by an ongoing gradual recovery in economic data that started to slow late in the quarter alongside renewed uncertainty regarding the virus, fiscal stimulus, and US politics.

Economic Data
- Jobs data continue to indicate a choppy recovery in the labor market. While the unemployment rate has fallen to 7.9% and nearly half of the jobs lost have been recovered, historically elevated jobless claims are not consistent with a V-shaped recovery.
- The housing market has been a bright spot for the economic recovery. New home sales notched their highest level since September 2006, and inventory fell to the lowest level on record. Lower mortgage rates and pent-up demand are likely to continue to support this underlying strength.
- Higher-frequency data (such as restaurant bookings, pedestrian traffic, and public transport usage) moved mostly sideways over the quarter, suggesting the pace of economic recovery has slowed.

The Path Forward
- While some consumer data have already returned to pre-COVID levels, a return of jobs is critical to sustaining the broader recovery.
- We believe the road to recovery remains governed by virus data, a vaccine timeline, and the “health” of the US consumer. Virus and political uncertainty may present challenges for businesses trying to assess the near-term outlook. Continued policy support along the way remains critical to making that path less bumpy.

- Post-Shutdown Recovery Has Likely Begun

US Economic Indicators

International Economic Review
Pockets of Europe and Japan have slowed reopening plans due to a rapid increase in virus cases, slowing the momentum of an already choppy economic recovery.

Developed Markets
- The Eurozone economy contracted 11.8% in the second quarter, and the countries hit hardest by COVID-19 (Italy, Spain, and France) also saw the largest declines in economic growth. Japan’s second-quarter GDP fell 28.1% quarter-over-quarter annualized. These readings
underscore the extent of the economic damage from the implementation of lockdown measures.

- A variety of economic data continues to suggest a choppier recovery across most developed international economies. Eurozone retail sales recovered to levels seen before the pandemic, but mixed PMI data revealed services data have been disproportionately impacted by ongoing virus precautions. A significant increase in COVID-19 cases prompted parts of Europe and Japan to reinstate restrictions toward the end of the quarter. Surprisingly, European Commission Consumer Confidence improved over the quarter despite ongoing virus concerns.
- In Japan, the au Jibun Bank Japan manufacturing and services PMIs both remained in contraction territory, and industrial production fell 13.3% year over year. Economic data are likely to continue to reflect an uneven recovery across developed global economies until greater clarity is achieved about the path of the virus and ongoing political challenges.

**Emerging Markets (EMs)**

Economic reopening and recovery in EMs remain well ahead of developed international markets. China continues to report relatively stronger PMI, industrial production, and business conditions data. We view this as confirmation of a global economic recovery from an industrial perspective and are starting to see improvement in consumer metrics in the country as well.

**Global Monetary and Fiscal Policy**

Global central banks have maintained unprecedented levels of monetary policy support, but the expiration of fiscal stimulus in some regions is becoming increasingly problematic.

**United States**

- Updates from the Federal Reserve (Fed) underscore our expectations of a “lower for even longer” interest rate environment. While holding its policy rate at the 0.00-0.25 basis point range, the Fed officially adopted an average inflation target of 2%. This implies prices may “overshoot” the 2% target for some time before the Fed raises rates. In fact, the Federal Open Market Committee broadly projects inflation to remain below 2.0% and for rates to remain zero bound through 2023.
- Tremendous fiscal stimulus has been key to bridging the gap during the economic recovery, but plans for additional aid may not materialize before the presidential election.

**Developed International Markets**

- The European Central Bank (ECB) and Bank of England (BOE) kept rates unchanged in September and pledged to continue their respective asset purchase programs. More noteworthy, however, was the BOE’s move to actively consider negative interest rates. According to Governor Andrew Bailey, negative rates are now “in the toolbox,” and the BOE will commence “structured engagement” with UK bank regulators to explore this possibility.
- Since many developed international markets had negative interest rates heading into the global health crisis, targeted fiscal policy remains critical to returning these economies to growth. Negative rates may continue to have a gravitational pull on global interest rates, as evidenced by the market value of negative-yielding debt rising over the quarter from $13.4 trillion to $15.5 trillion.
Emerging Markets (EMs)

Many EM central banks cut interest rates further during the quarter. Given the relatively higher growth and inflation rates of these economies, their central banks have more traditional policy tools to use before resorting to nontraditional measures such as negative interest rates.

Policy Rates of Major Central Banks

Corporate Earnings and Expectations

Much better than feared second-quarter earnings growth revealed the extent of the damage due to the virus, while a complex outlook continues to pressure 2020 earnings growth expectations.

Second-Quarter Earnings Season Recap

- Second-quarter earnings contracted 31.6%, the steepest year-over-year decline since fourth-quarter 2008, and just 3 of 11 sectors posted positive earnings growth. However, results were much better than the -44% expected. All but one sector reported an overall earnings surprise, and, on average, results beat estimates by 22%.
- Similar to earnings, revenue growth was positive for just two sectors. Additionally, nine sectors posted better-than-expected revenue growth. While this was largely a function of dramatically reduced estimates, Information Technology benefited from improved digitization trends, and Financials benefited from strong mortgage lending and a resumption in capital markets activity.
- Revenue growth remained positive for six sectors, in part due to a pull-forward in demand, which may have benefited top-line growth in sectors like Consumer Staples and Health Care.

Expectations for 2020 Earnings

- Despite negative third-quarter earnings growth estimates, revisions have improved meaningfully over the past several months. This is primarily attributable to the gradual reopening of parts of the economy and lower unemployment. The outlook for 2020 (and even 2021) earnings growth has also improved over the quarter.
- Consensus expectations for 2020 growth remain grim, with earnings expected to be down 19.0% compared to 2019’s relatively muted growth of 1.0%. Specifically, sectors that are highly correlated to global economic growth, including Energy, Consumer Discretionary, Industrials, Financials, and Materials, are seeing the largest declines.

US Equity Markets

After climbing back into a bull market at the quickest pace on record, domestic equities continued to chart a path higher during the third quarter in the face of renewed virus and political concerns.

Summary

- After the S&P 1500® posted its strongest quarter since 1998 in the second quarter (+20.8%), domestic equities rallied 8.6% in the third quarter despite an increasingly complex backdrop.
- Mega-cap names such as Amazon.com, Apple Inc., and Facebook Inc. each advanced more than 10% during the quarter. Performance from 41% of S&P 500® constituents exceeded that of the broader index.
The backdrop continued to favor larger and growth-focused names, despite brief periods of underperformance. In a growth-starved and yield-starved world, companies growing dividends handily outperformed during September’s down market.

Valuations
- After a second consecutive quarter of strong performance, the S&P 500 saw next-12-month (NTM) earnings-per-share consensus estimates recover to $111, the highest level since April. As such, the S&P 500 NTM forward price to earnings (P/E) was essentially unchanged from the prior quarter at 21.7.
- We continue to caution that equity market valuations may still be pricing for perfection and remain fairly stretched relative to the 20-year average P/E of 15.7x. Should the recovery take longer than investors anticipate, we expect additional volatility in financial markets.

Strategy View
- Since the recession brought on by COVID-19 was atypical in that a bubble did not burst within large cap, we believe the economic recovery is likely to continue to favor large-cap stocks rather than support a traditional post-recession cyclical rally. This analysis underscores our tactical asset allocation change from small- and mid-cap value to large-cap.
- While nearly unlimited monetary policy support and unprecedented fiscal stimulus have been key tailwinds, we believe the market will remain susceptible to pockets of volatility as uncertainty regarding the virus, additional stimulus, and US politics continues to loom.

International Equity Markets
After recovering further and experiencing additional multiple expansion during the third quarter, international equities still remain attractively valued on a relative basis.

Developed Markets
- Most major developed international equity indices rallied for a second consecutive quarter as central banks continued to provide unprecedented monetary accommodation, but had a difficult September against a backdrop of increasing virus and geopolitical risks.
- After a rapid 5-multiple-point expansion in the second quarter, the MSCI World ex USA Index next-12-month price to earnings further expanded from 15.9x to 16.9x. Still, developed international stocks are trading at an over 4-point valuation discount to US equities (16.9x vs. 21.5x).
- Second-quarter earnings for the MSCI World ex USA Index were down nearly 54%, with 7 of 11 sectors seeing negative growth. Overall earnings-per-share (EPS) growth expectations for 2020 of -33% imply the need for a meaningful improvement in second-half earnings. The outlook for 2021 remains upbeat, with EPS growth expectations of 41%. Meeting these growth hurdles will likely depend on containing a second wave of the virus across developed international market economies.
- Similar to domestic stocks, the performance gap between growth and value (across both large- and small-cap stocks) continued to widen on the year.

Emerging Markets (EMs)
- The MSCI EM Index outperformed domestic and developed international counterparts over the quarter alongside a weaker dollar and better fundamentals.
• EMs continue to boast a relatively stronger earnings backdrop. The 2020 EPS growth estimate for EMs is 12.0%, the best relative growth rate across the globe. The 28.9% expected rebound in 2021 is ahead of S&P 500® estimates and improved over the third quarter.
• This is particularly attractive considering the valuation spread between the S&P 500 and EM Index is at one of the widest margins since 2003 (14x vs. 22x).

Taxable Fixed Income Markets
Taxable fixed income markets continue to deliver positive returns in the face of a “lower for even longer” interest rate environment, thanks largely to unprecedented monetary stimulus.

Taxable Fixed Income Performance
• Positive returns for fixed income investments were broad-based and led by a 4.6% return from US corporate high yield (HY), which is actually more correlated to equity markets.
• Alongside a further rally across risk assets over the quarter, credit spreads continued to narrow in investment grade (IG) and HY, tightening by 13 basis points (bps) and 108 bps, respectively. Similar to second-quarter movements, every sector and rating cohort experienced spread tightening.
• At current valuation levels, most fixed income asset classes continue to look rather expensive to us, with exceptions in areas/sectors that have not been included in Federal Reserve programs and those with outsized exposure to macroeconomic headwinds.
• We expect policy rates to remain fixed at the zero bound, and quantitative easing to put a ceiling on longer-dated bonds for the time being. In the perennial quest for yield, this may lead investors further out the risk curve, exposed to uncompensated risks.

International Taxable Fixed Income Markets
• Developed international fixed income markets outperformed toward the end of the quarter, despite five countries in the European Union alone having negative 10-year government bond yields.
• Outperformance was not driven by interest rates going more negative; rather, outperformance was due to the currency effects of a weaker US dollar. We continue to view developed market fixed income as largely a currency play, with little opportunity for a pickup in yield or returns.
• In emerging markets (EMs), ongoing US dollar weakness has proven a strong tailwind for dollar-denominated issuers. We continue to favor EM debt due to its high positive nominal yield providing central banks have more policy levers to pull, if needed.

Other Asset Classes
In a “growth-starved” and “yield-starved” world, other asset classes continue to provide value by typically offering diversification and alternative sources of yield.

Real Estate Investment Trusts (REITs)
• REITs offer a unique view into COVID-19’s impact on how people conduct business, how they travel, how they live, and how they consume. While the broader REIT index posted a modest gain over the quarter, there was considerable performance dispersion across REIT industries.
• Various pockets of opportunity (i.e., data centers, industrial, and self-storage) have generated strong returns, while more vulnerable spaces (i.e., lodging/resorts, retail, and office) have suffered from secular overhangs.
• Exposure to the relatively faster-growing specialty REITs category, as a play on the 5G buildout, continues to appear particularly attractive in a lower growth and low interest rate environment.

Global Infrastructure
• Global infrastructure exposure excluding energy has provided significant downside risk protection in the current environment and will likely continue to play a key defensive role in portfolios in this “growth-starved” and “yield-starved” world.
• In addition to the benefits of global diversification and lower correlation to traditional asset classes, global infrastructure can offer attractive cash flows relative to most fixed income asset classes and relatively less volatility than broader equity markets.

Hedge Funds
• Most hedge fund strategies underperformed the broader markets on a relative basis, but have exhibited significantly less volatile returns.
• We believe hedge funds continue to offer the key benefits of risk mitigation and diversification in a broader portfolio.

Foreign Exchange Rates
The US dollar depreciated further in the third quarter against a backdrop of ample dollar liquidity in capital markets and the largest fiscal stimulus effort in US history.

Commodities
After an exceptionally volatile second quarter, energy prices remained subdued as an oversupplied (and still relatively weak demand) oil market has kept a lid on prices.

Commodity Index
The Bloomberg Commodity Index rose 9.1% over the quarter as investors continued to favor precious metals, and the US dollar depreciated meaningfully. With West Texas Intermediate (WTI) oil prices still below breakeven levels to maintain North American shale operating activities, the energy sector remains under immense pressure.

Perspective on Precious Metals
• While precious metals pricing has increased meaningfully this year in response to rising inflation expectations, we continue to believe equities are a better hedge.
• Precious metals do not generate cash flows or provide meaningful inflation-adjusted returns (or adequate risk premiums) over long periods. These negative attributes underscore our reasoning to not include pure plays on commodity prices as part of a strategic asset allocation framework.
• While we do not have long-only exposure in our asset allocation recommendations, there may be some embedded exposure to commodities in certain hedge fund strategies, such as commodity trading advisors (CTA funds).
The Strategic View

- We believe demand for energy is likely to face a choppy recovery that depends in large part on the pace of economic reopening and better virus data.
- We also believe in addition to subdued energy prices, structural factors such as demographics and technological innovation are likely to keep a lid on inflation over the near term.

Investment Policy Statement

After Mr. Danahey’s review, Carrie Krenicky, Chief Financial Officer, stated that changes in the Investment Policy have been reviewed and incorporated in Resolution Revising the Library’s Investment Policy (Exhibit 4) will be considered on today’s agenda and will go before the Board at the upcoming Regular Board Meeting.

In regards to Authorized Investments, Mr. Danahey highlighted in recognition of the expected returns and volatility from financial assets, the Library will be invested in the following ranges with the target allocation noted:

<table>
<thead>
<tr>
<th></th>
<th>Range</th>
<th>Target</th>
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<tbody>
<tr>
<td>Equities</td>
<td>55-75%</td>
<td>65%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>15-35%</td>
<td>25%</td>
</tr>
<tr>
<td>Alternatives</td>
<td>0-20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>0-20%</td>
<td></td>
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</tbody>
</table>

The midpoints of the above ranges will be considered the long-term or policy allocation. Any deviations beyond this mix of securities must have prior approval by the Board of Library Trustees. Allocations to cash equivalents are to be considered a subset of the Fixed Income allocation along with Convertible Assets. Within the above ranges, the Library’s Endowment Fund Manager will make all tactical asset allocation decisions (over-and-under-weights). Deviations outside of the above ranges require prior approval from the Library.

After additional discussion regarding the Endowment, Mr. Danahey continued his presentation with the Portfolio Review and noted the following:

Investment Performance Asset Allocation As of December 31, 2020

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<table>
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</thead>
<tbody>
<tr>
<td>Total Equity</td>
<td>68.5%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>24.2%</td>
</tr>
<tr>
<td>Total Alternatives</td>
<td>3.6%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Equity Asset Allocation As of December 31, 2020

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Global Infrastructure</td>
<td>2.5%</td>
</tr>
<tr>
<td>Small Cap Core</td>
<td>10.3%</td>
</tr>
<tr>
<td>Mid Cap Core</td>
<td>11.9%</td>
</tr>
<tr>
<td>Large Cap Value</td>
<td>12.1%</td>
</tr>
<tr>
<td>Large Cap Growth</td>
<td>14.7%</td>
</tr>
<tr>
<td>Large Cap Core</td>
<td>24.2%</td>
</tr>
</tbody>
</table>
Fixed Income Asset Allocation As of December 31, 2020

- REITs: 2.8%
- International: 21.6%
- Core / Core Plus: 27.1%
- Intermediate: 38.3%
- Strategic Bond: 19.0%
- Floating Rate Bank Loan: 8.2%
- World Bond: 7.4%

Mr. Danahey’s presentation continued with:

- Portfolio Holdings As of December 31, 2020
- Total Portfolio Performance As of December 31, 2020
- Manager Performance As of December 31, 2020
- Historical Cash Flow As of December 31, 2020
- Risk Return Analysis (1 Year) As of December 31, 2020

Mr. Danahey gave an overview of Cleveland Public Library Responsible Investing Analysis. This Responsible Investing report identifies pre-selected environmental, social, and governance (ESG) exposures in the portfolio. The Total Equity Exposure line reflects the portfolio’s equity positions’ exposure to positive and negative ESG factors.

Mr. Danahey was available to answer any questions the Board may have had.

Director Thomas and various Trustees thanked Mr. Danahey for his detailed presentation.

**Finance Committee Members** (Mr. Seifullah, Chair)

Present: Alan Seifullah, Thomas Corrigan, John Hairston, Anthony Parker
Absent: None

Resolution to Accept Gifts for the Month of December

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

First Amendment to the Year 2021 Appropriation

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.
Resolution to Authorize Payment of Fees to the CLEVNET Special Revenue Fund Covering the Period January 1, 2021 through December 31, 2021

Carrie Krenicky, Chief Financial Officer, stated that this is the Library’s annual contract fee. This year, the annual amount is $1,396,862.80. Originally, when the fees were presented at the CLEVNET Directors Meeting at the end of October, the initial fees for the Library were $1,542,930.63. However, upon closing the year on December 31, 2020 in the CLEVNET Special Revenue Fund, the CLEVNET Executive Panel decided to apply one third of the unencumbered funds to the 2021 contracted costs. This allowed every contracted library to receive a 13.5% discount or less fees charged for 2021.

Mr. Corrigan stated that generally speaking, this means that the other directors of CLEVNET library must be pleased with how we have controlled costs even though everything CLEVNET does has become more urgent during COVIVD.

Ms. Krenicky agreed and stated that once we went through the GFOA implementation of the new pricing model, we had to complete a full calendar year to assess the fund balance which we just completed at the end of December.

In response to Mr. Corrigan’s inquiry, Ms. Krenicky stated that the initial fees were just about 5% lower than last year’s fees. With the application of the unencumbered balance brought it down even further to 13.5%. This is huge for the smaller libraries.

Mr. Corrigan stated that he had heard from a few of the libraries that they were happy with the way things were going.

Finally, Ms. Krenicky stated that attached to the resolution was a list of contracted libraries and noted their difference between costs for 2020 and the newly applied 2021 costs.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Corrigan seconded the motion, which passed unanimously by roll call vote.

Resolution Revising the Library’s Investment Policy

Carrie Krenicky, Chief Financial Officer, stated that the last time the Library’s Investment Policy was updated in April 2019. The Library’s Investment Policy encompasses both investment and bond proceeds which both in our policy are referred to as our portfolio. This includes our endowments as well.

Ms. Krenicky stated that this resolution is recommending that we make the changes that Mr. Danahey discussed earlier in his presentation for the endowments. For the portfolio, we are aligning with Government Finance Officers Association’s best practices and implementing some of their verbiage that they recommend. We will simplify the definition of Authorized Investments ORC 135.14 In addition, we will also include an additional monthly report detailing the current inventory of our investments.
Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Resolution to Engage L.A.N.D. Studio Inc. to Organize 2021 SEE ALSO and Art Wall Programs

Sadie Winlock, Chief Equity, Education, and Engagement Officer, stated that at the Library, we are trying to include diversity in everything that we do and expand access including our artwork.

Ms. Winlock stated that she and her team have had conversations with L.A.N.D. Studio and discussed how the Library could expand its artwork beyond downtown. $100,000 is the cost for the Library to expand its art into the communities that we serve by using wall art. This is the reason for this increase.

In addition, Ms. Winlock noted that the total cost of $136,000, L.A.N.D. Studio is contributing $36,000 to the total cost of this expansion.

Ms. Krenicky added that this is also funded from the Lockwood Thompson Grant that specializes in that purpose as well.

Ms. Winlock stated that this year we are working with local artist Darius Steward and a local fabricator with sculpture ability to develop a sculpture series for the Eastman Reading Garden, turning his figurative watercolor paintings into 3D figurative sculptures. The fabrication costs for the sculptures totals $35,000.

After noting that this is a good time to remember the many contributions made to the Library over the years by Lockwood Thompson, Mr. Corrigan stated that he supports this resolution.

In response to Ms. Butts’ inquiry, Ms. Winlock stated that we have been averaging about $75,000 each year. This year, our costs have increase because we are expanding our art into our communities. We will expand this every year to ensure that we have art that represents the Library and relates to the communities. The selection process to determine the community where the art will be place is in progress.

Ms. Butts asked for an update on the mural that was placed on Rice Branch.

Director Thomas stated that the mural currently remains at Rice Branch and we are examining the possibilities of incorporating additional murals that could be on more branches such as Addison and Union.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.
Resolution Authorizing Agreement with Art Therapy Studio for Art Therapy Programming During 2021

Sadie Winlock, Chief Equity, Education, and Engagement Officer stated that due to COVID, there were funds left over from the Library’s agreement with Art Therapy Studio for Art Therapy Programming. We are carrying over those funds so that we will be able to expand the program longer.

Mr. Seifullah asked for a brief explanation of art therapy.

Ms. Winlock explained that the Art Therapy Studio uses art as a foundation to improve a person’s social and emotional learning and being able to utilize and balance their social and emotional skills. Art therapy uses art as a tool to balance how we interact and manage emotions.

Director Thomas stated that this program started at MLK branch with approximately 8-10 children who would come in daily for artwork and learning through art. In essence, learning through art becomes a therapy for the child. Not only does the child find something to do after school that they can focus on, it helps them grow as young people. There is no age restriction for the children.

Ms. Winlock stated that as with all of our programs, we are trying to connect them to specifics outcomes where there is an impact on participants whether they be student, adult or senior. We are working hard to ensure that we can measure impact on our programming.

Ms. Butts spoke on the importance of art and other forms of creation and how it helps peoples’ state of mind.

In response to Mr. Hairston’s inquiry, Director Thomas stated that although the Library has not participated in similar programming with the Cleveland Museum of Art, we have done other programming with them and young people. Darius Stewart, with whom the Library will be working with on the See Also program, has led the Croatian program with the Museum of Art for the kids at MLK.

Ms. Winlock stated that the Library also has a partnership with Project Art which is a national organization from Chicago. Last year, Cleveland was selected for their next project. At no cost to the Library, they engage students in learning the objectives of art. At the end of the year, we will be able to display some of their artwork. We are approaching art not only from the creative perspective but also from the perspective of learning with expected outcomes.

Mr. Hairston recommended that some of this artwork also be displayed during the annual Congressional District Art Competition.

Director Thomas stated that he would like to contact the Office of Congresswoman Fudge to learn how the Congressional District Art Competition will be handle this year in light of her appointment.
Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

**Resolution to Amend Agreement with Cleveland State University for America Reads Tutoring Service**

Sadie Winlock, Chief Equity, Education, and Engagement Officer, stated that due to the COVID-19 pandemic and a resulting staffing shortage at Cleveland State University, the tutoring services were not provided as planned, and Cleveland State University has requested that the agreement be extended through June 30, 2021 at no additional cost to the Library.

Ms. Rodriguez asked for clarification on this extension.

Ms. Winlock stated we utilized America Reads Tutoring services for only a part of last year. Because of COVID, we had a challenge of getting student participation. Although parents would enroll the students, the students would struggle to keep their sessions in a virtual class. With this amended agreement, we would be completing the time frame that we did not utilize in 2020.

Ms. Winlock stated that although there is no increase in our spending, we are expanding our time frame to complete the original contract period.

In conclusion, Ms. Winlock stated that we are also seeking other ways to engage students around tutoring to make sure that we have exercised all options to discover a way to get the kids involved and to meet them where they are to meet those needs. This will also allow us time to do that as well.

Ms. Rodriguez thanked Ms. Winlock for her explanation.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Corrigan seconded the motion, which passed unanimously by roll call vote.

**Resolution Approving Option Agreement with Detroit Shoreway Community Development Organization for the Walz Branch Project**

Bryan Szalewski, Director of Legal Affairs, stated that this resolution seeks authorization for the Library to enter into an option agreement similar to what we did last year with the Detroit Shoreway Community Development Organization as a part of their application for low-income housing tax credits to build a mixed used senior apartment complex with the new Walz Branch.

Mr. Szalewski stated that they have requested that we enter into a second option agreement for the second round of funding applications which will take place at the beginning of next month in order for them to demonstrate that they have site control for their application. If Detroit Shoreway’s tax credits are granted, this will give them the option that will automatically be exercised in which the Library’s property will be transferred to Detroit Shoreway and Detroit Shoreway’s property at 79th and Detroit Avenue would be transferred to the Library so that the
mixed-use development can be built. In that regard, this is the same agreement that the Board approved last year.

Mr. Szalewski noted that the biggest change from last year is that if Detroit Shoreway is unable to get their funding this year, we do need to move forward with the Walz Branch in order to stay on track with our bond spend down requirements. In the agreement there is an option that will be exercised automatically if they do not get their tax credit. It will transfer the same properties and allow the Library to build a free-standing building on the corner of 79th and Detroit Avenue and will transfer the site of the current Walz Branch to Detroit Shoreway to allow for them to build a building at a later date that would be free standing. We would hope that it would be low-income senior housing as initially planned, but it is too early, we are unable to say what it would be at this time.

Mr. Szalewski stated that this is the first in a number of steps for this project. Regardless of whether they get their tax credits or not, we would be coming back to the Board to approve a purchase agreement for the exchange of the properties. If we are building a mixed-use building, there will be other agreements to further define our relationship that will be coming before the Board.

Mr. Hairston expressed his desire for Detroit Shoreway’s to be successful in receiving the tax credits as the mixed used building with the branch library would be an asset to that community.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Corrigan seconded the motion, which passed unanimously by roll call vote.

Resolution Authorizing Amendment to Software Support Agreement with Integrated Precision Systems, Inc.

Carrie Krenicky, Chief Financial Officer, stated that at the end of December the Library entered into an annual support agreement with Integrated Precision Systems (IPS) for both our security cameras and our access control systems in an amount not-to-exceed $25,000. Within that amount, IPS will provide unlimited remote service calls for one year for a fixed fee of $18,216 and will provide onsite hardware repair and replacement services on a time and material basis. We are estimating that onsite hardware repairs and maintenance during 2021 will cost an additional $25,000.

Ms. Krenicky stated that this resolution requests that Board approve the Library to enter into an amendment to the December 29, 2020 agreement with Integrated Precision Systems, Inc. for software support services for the Library’s security cameras and access control systems in the amount not-to-exceed $25,000, thus increasing the total cost of the agreement to an amount not-to-exceed $50,000, for the period commencing January 1, 2021 through December 31, 2021.

Mr. Corrigan asked if staff could provide an update on the percentage of time the system or aspects of the system fail so that we know what our exposures are.
Director Thomas stated that that information will be available and provided at the next Regular Board Meeting.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Resolution Authorizing Amendment to Agreement with HBM Architects, Inc. for Architectural Design Services for the Lorain Branch of the Cleveland Public Library

John Lang, Chief Operating Officer, stated that this would be an increase to the contract in place for the purposes of developing as-built drawings. At the time we negotiated initial fees with HBM in September, they proposed $15,000 to develop as-built drawings. At that time, we felt that the Library’s existing drawings did not necessitate that service. Now that we are in pre-design with them, we do have the 1920 construction drawings and 1980 renovation drawings. Unfortunately, there have been system modifications since then that were not captured in the Library’s data base. Therefore, HBM’s services to develop accurate as-built drawings are necessary in order for the Lorain Branch Facilities Masterplan project to move forward.

Mr. Lang stated that this resolution seeks authorization to negotiate and execute an amendment to the agreement with HBM Architects, Inc. for the provision of as-built drawings for an additional fee of $15,000, thus increasing the architect’s total fee to an amount not-to-exceed $346,847.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

Resolution Authorizing Sixth Amendment to Agreement for Security Services with Royce Security Services, LLC

Harriette Parks, Chief of Public Service, stated that last month, when we came before to the Board to request additional funding for the placement of Royce Security, our HR recruiters identified 14 potential officers. However, only 11 of those officers went through the recruitment process with successful completion. We have given HR approval to move forward to identify three additional officers who will be needed.

Ms. Parks stated that during this time that we are requesting an extension, we will work with both of our unions to discuss de-escalation methods and tools that would best support our staff so that they can feel confident, secure, and sustained. In addition, we will be working with the Executive Leadership Team to identify a security centered strategy that will support the Library staff and the community while maintaining the commitment we have given to them.

Mr. Hairston asked for reasons why the recruitment process was not completed successfully by some officers.

Ms. Parks stated that one officer who is currently serving in the military had an active military order that was extended. Background checks prevented others from successfully completing the
recruitment process. Therefore, we must move forward to recruit 3 additional officers within the next two months.

In response to Mr. Hairston’s inquiry, Carrie Krenicky, Chief Financial Officer, stated that this increase of $130,000 will fund an additional 13 weeks as we may need services from Royce for a little over $10,000 per week for 11 weeks that will serve 9 branches including an account manager as well as a supervisor.

Mr. Corrigan asked for the on-boarding status of those officers who were successfully recruited. Ms. Parks stated that these officers who were recruited have been trained and are currently in our branches. As a result, we were able to decrease the presence of some of the Royce Security officers who were in some branches and replace them with those recently hired.

In response to Mr. Parkers’ inquiry, Ms. Parks explained that we have 18 SPS officers and the remaining branches have Royce Security officers. Because the Library is providing curbside and walk-up services at this present time, we were able to identify those officers and place them inside of our locations to provide the added support and decrease the presence of Royce Security that we have.

In response to Ms. Butts’ inquiry, Ms. Parks stated that we had 14 vacancies available; 11 successfully completed the recruitment process; 3 additional officers are needed to complete that complement.

Director Thomas stated that we are working to take our current SPS staff and cover all of the Library’s buildings. We also recognize the impact of vacations and sick leave but do not want to leave any of our buildings without security. We are making sure that Royce serves as a substitute to provide security coverage when we have difficulty.

Director Thomas stated that we are bringing both of our unions together so that we can figure out a model that works. One of the larger concerns is making sure that safety and security personnel is not coming in and being overly aggressive in how they provide those services considering the times that we are currently in. People come to the Library because they feel they are safe. Mr. Hairston stated that he was glad that both unions are working together on this issue. Discussion continued about potential threats on government buildings and city and county buildings causing them to be closed to the public this week.

Director Thomas stated that while the Library has received no threats, out of an abundance of caution for our staff and patrons, the Library will be issuing a special closing for its Main Library and Louis Stokes Wing on Inauguration Day, January 20, 2021.

Ms. Rodriguez and Mr. Hairston expressed their approval for this sound decision to temporarily close Main Library and Louis Stokes Wing to make sure that Library staff are safe. In response to Mr. Seifullah’s inquiry, Director Thomas confirmed that branches would be open for curbside and walk-up services only.
Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

Resolution Authorizing Purchase of Ionizing Air Filtration Equipment

John Lang, Chief Operating Officer, stated that this resolution seeks authority for the Library to purchase ionizing air filtration equipment. This ionizing air filtration equipment improves the quality of indoor air. This fairly new technology has been deployed in public buildings and creates an ionization field that causes particular matter to coagulate and become trapped in the filtration system down to virus size particles.

Mr. Lang stated that the industry touts this as being 95% effective in capturing those particles. In addition to this being a COVID counter measure, this will improve the overall air quality in our buildings.

Director Thomas stated that this is something that we have wanted to do since early in the pandemic.

Mr. Lang noted that the price indicated for the ionizers is for the purchase of equipment only. Installation will be done by the Library’s maintenance staff.

Finally, Director Thomas extended congratulation to Mr. Lang and Oliver Reyes, Director of Property Management, for their hard work on this.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Corrigan seconded the motion, which passed unanimously by roll call vote.

Human Resources Committee Members (Mr. Hairston, Chair)
Present: John Hairston, Alice Butts, Thomas Corrigan, Anthony Parker
Absent: None

Regular Employment Report

Mr. Hairston motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Resolution Appointing North Coast Administrators As Third-party Administrator Of The Cleveland Public Library’s Flexible Spending Account And Commuter Benefits Plan, Ratifying Contract, And Amending Flexible Spending Account Plan

Lynn Sargi, Chief Talent Officer, stated that this flexible benefits plan or flexible saving account as they may be called, is allowed by Section 125 of the IRS Code. This allows employers to deduct, on a pre-tax basis, money that employees can use to: (1) pay for health care costs such as co-pays or deductibles; (2) pay for dependent care costs such as childcare costs; and (3) pay for parking or transportation costs.
Ms. Sargi explained that this appoints a new third-party administrator (TPA) on behalf of the Library to administer all of these individual accounts that employees hold. CPL will take authorized deductions from the pay checks and send it to North Cost Administrators. As employees seek reimbursements for qualified expenses, the TPA will handle all of the reimbursement activity.

Mr. Hairston motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Retirement Recognition Citation

Mr. Hairston stated that because Retirement Recognition Citation are not currently being presented in-person, it will be mailed to Rhonda Henderson.

Director Thomas stated that Rhonda Henderson, who retired on December 22, 2020, after 31 years of service to the Library, will be missed by staff at Harvard-Lee Branch. Ms. Henderson and all staff who retired during this COVID period will be invited back so that we can express our appreciation for all they have done for us.

Mr. Hairston motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Mr. Hairston motioned that this item would go to the full Board for approval. Mr. Corrigan seconded the motion, which passed unanimously by roll call vote.

Ms. Rodriguez requested that each Trustee submit a list of at least 3-5 branches that they would like to stay in touch with especially during COVID so that we are reaching out.

Mr. Hairston adjourned the Joint Finance & Human Resources Committee Meeting at 1:15 p.m.