

# **Library Endowment Fund Proposal to Homer City Council**

Presented by the Library Advisory Board

January 13, 2020



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## **Proposal for a Library Endowment Fund**

### **Background**

The people of Homer and the surrounding areas have been extraordinarily generous in their support for the Homer Public Library. The library continues to receive donations of materials, time and money in support of library operations.

Article II, Section 4 of the City of Homer Library Advisory Board (LAB) Bylaws states that the LAB shall “Solicit donations of money and/or property for the benefit of the library.” The LAB is eager to increase support of the library through major gifts but finds that the current gift acceptance policy is inadequate to efficiently accept and manage large gifts.

A review of best practices of other public libraries, within Alaska and beyond, shows that it is essential to plan in advance of such gifts, since a large and unexpected donation can create management headaches and lead to a rushed, inefficient structure for administering the donation.

To prepare for solicitation of major gifts, the LAB recommends that the City of Homer adopt a common best practice and create a designated Library Endowment Fund to invest and grow donations to the library. Such a fund would benefit the City in several ways:

- It earns interest, which donations currently do not.
- It provides a stream of income which is not reliant on taxation.
- It inspires donor confidence that their donations will be handled transparently and effectively.
- It ensures donations are used for quality local library services as donors intend.

### **Current Status of Library Endowment Funds across Alaska**

Public library systems in Seward, Fairbanks, Juneau, Petersburg and Sitka all have endowment funds, as do a number of public library systems in the Lower 48. These funds typically fall into two categories: 1) the fund is managed by the city government, and 2) it is managed by a designated nonprofit organization, typically a community foundation.

All the city-managed funds we have encountered so far were created after-the-fact, when the city suddenly received a gift they didn’t know how to process. Managing an investment fund is an awkward fit for a city finance office and returns are often relatively low. Non-cash donations are also extremely complicated to liquidate or administer, which creates a significant added burden on city staff.

Having consulted with librarians and fund managers in a variety of places, we believe the best course of action is to partner with a community foundation. This approach offers numerous advantages:

- As a 501(c)3 organization, a community foundation is able to accept grants and donations that a municipality may not.
- Donations to a 501(c)3 organization are tax-deductible.
- City staff are spared the burden of managing the fund.
- Community foundations have greater freedom to manage their investments and typically achieve higher returns than funds managed directly by a city.
- The foundation is equipped to handle non-cash donations, such as stocks, real estate, trusts and other unusual goods, which would create significant administrative costs for the City.
- Donations can be accepted online.
- Donations and donors are immediately recognized and acknowledged; donors become part of an ongoing relationship.
- The library would receive an annual, predictable distribution (typically 4%) or can choose to maximize fund growth by reinvesting in the principal.

### **Intended Use of Library Endowment Funds**

A Library Endowment Fund will provide an additional, predictable revenue stream to help provide quality library services over time. Examples of potential uses include, but are not limited to:

- Acquisition or replacement of library materials
- Acquisition or replacement of library equipment
- Start up or maintenance of a library service
- Facility improvements

Funds would not be used for personnel costs such as salaries, benefits, travel and training.

### **Recommendation to the Homer City Council**

“We recommend that the Homer City Council endorse the creation of a Library Endowment Fund. The fund will concentrate on the long term by growing its principal and providing a steady stream of revenue to support library operations in the future.”

Library Advisory Board

December 10, 2019

## **Advice on Library Endowment Funds**

### **Shared By Librarians in Alaska, Oregon, Michigan, & a Michigan Fund Manager**

The best procedure for handling large and complicated gifts is to set up an endowment fund with a community foundation. This arrangement offers four key advantages:

1. The administrative burden on City staff is minimal.
2. Community foundations usually achieve higher returns than funds managed by city personnel.
3. As a nonprofit charity, a community foundation is able to accept donations from outside grantors as well as individuals.
4. Donations to a community foundation are tax-deductable, which is attractive to donors.

When it comes to setting up the fund, some key things to remember:

- Make it easy to donate: You must be able to accept payments online.
- Provide simple and clear guidance to donors, without a lot of legalese; make certain you recognize donors and show your appreciation.
- Whenever you get donations of stocks, real estate or other physical property, liquidate it immediately and put the money into the fund. Donated stocks are typically worth very little and the administration is a hassle.
- There will probably be a minimum amount needed to start up the fund; a challenge grant is a great way to get started.
- Most donations are small, in the range of \$100. The Juneau Public Library estimates they receive one large donation about every 3-5 years.
- If at all possible, try to prevent donors from placing restrictions on how money can be spent.
- There is a variety of management structures: some libraries leave all administration to the foundation while others have a board consisting of the library director and a few other representatives.
- Some funds allow withdrawals from the principal, others don't. Pay close attention to the terms of the agreement between the city and the foundation.

## **The Homer Foundation (THF)**

### **Discussion Notes with Mike Miller at THF from September 13, 2019**

#### **1. Tell me a bit about your foundation.**

Homer Foundation was created in 1991. It's the oldest community foundation in Alaska. They currently have about \$2.5 million invested in a variety of funds. Ken Castner was at one time chairman of HF's board. The fiscal year runs July 1<sup>st</sup> to June 30<sup>th</sup>. The current manager, Mike Miller, has been in the position since June. He has also worked for the Food Bank of Alaska, Campfire, and for a variety of municipal positions in Wisconsin.

**Note:** An endowment fund set up for a city agency would have to be designated as a "Field of Interest Fund" rather than an "Agency Endowment Fund" because the City is not a 501(c)3. We would have to carefully designate the field of interest as "library operations" and be specific about how the money can be spent.

#### **2. What sort of funds do you manage? Do you have experience with endowments?**

They manage several endowments, including one for the City of Homer. Funds are managed by Vanguard since about 2 years ago; they used to be managed in-house, but results were highly variable and they sometimes lost money. Last year they earned 6.53%. They have also managed different types of funds, such as a maintenance fund for Kachemak City and the grants program for the City of Homer. All funds are pooled into a single investment and then interest is doled out proportionally.

**Update 11/25/19:** THF is also in the process of creating an option for non-endowed funds.

#### **3. What is your process for accepting donations? Can you handle online or automatic debit transactions?**

Online transactions are easy. Direct debit is harder but possible; requires coordination with THF office.

#### **4. What types of donations can you accept? If someone offers a non-cash donation, how do you handle it?**

THF board will consider non-cash donations, but there has to be some due diligence before they decide to accept it. It is then liquidated immediately.

#### **5. What is the minimum investment required to set up an endowment fund?**

A starter fund can begin with \$2,500, but it must reach \$10,000 within two years. If the fund fails to reach that target, the money is forfeited to THF.

**6. Is there a minimum size for contributions?**

No.

**7. What is your investment strategy? How do you balance risk vs. returns? What percentage of your investments are in stocks vs. bonds?**

30% bonds, 70% stocks.

**8. What are your fees?**

THF doesn't charge any administration fees, though it might in future. Vanguard fees are divided proportionally among all the funds. This is taken out of the spendable portion, not the principal (ie it's taken off the top). Typically around 1%.

**9. What is the structure of the endowment agreement?**

The library would have to have a "Field of Interest Fund," which is essentially the same as an "Agency Endowment Fund" but for entities that aren't a 501(c)3. They don't have non-endowment funds except for maintenance funds, which is a completely different structure. THF board has variance powers, meaning that in theory they could do whatever they want with the money, but in practice they work closely with agencies to align with their interests.

**a. Can we make withdrawals from the principal, or only the interest?**

Interest only.

**b. What is your formula for calculating disbursements?**

Based on a rolling average of 8 consecutive quarters. Every year the HF board sets a maximum spendable amount (typically around 4%) called the ATS. If the fund earns more than that, the excess can be included in a disbursement or reinvested.

**c. Who can make withdrawals or disbursements?**

The HF board authorizes disbursements. The library director submits a form indicating how much of the annual interest should be disbursed; it can be any amount up to the ATS. These stated preferences remain in effect until changed, so a new form does not have to be submitted each year.

**d. How often can withdrawals be made?**

Once a year, usually in September.

**e. Is there a limit on withdrawal amounts?**

Any amount up to the ATS.

**f. How often do you create financial statements?**

Quarterly.

**g. If we are dissatisfied with the performance of the fund, is it possible to terminate the agreement?**

No.

**10. Do you carry insurance?**

No. A small amount of THF's funds are held in FDIC-insured accounts with FNBA.

**11. May we contact some references or current customers?**

Yes. See the Homer Food Pantry, Bunnell Street Arts, City of Homer, Kachemak City.

**12. May we see your Form 990 and audited financial statements? [Form 990 is an IRS document on which a tax-exempt entity must report numerous details about its organization and financial status.]**

We have all this.

**13. What is your relationship with the Alaska Community Foundation?**

THF is independent of ACF, with its own board and money management, in order to preserve its flexibility. They cooperate quite a bit, and THF has a fund invested in ACF after Rasmussen Foundation gave them a matching grant to set it up.

**14. Do you invest in socially-responsible funds?**

40% of all funds are held in "social funds." The remaining 60% are in bonds and international funds, which do not offer socially-responsible giving as an option.

**15. What happens if there is a negative return on the investment? Is there a requirement to make up the shortfall?**

Entire fund is tied to market. Forward-funded for one year. There is no official policy of "holding harmless," so if principal declines, disbursements decline. The library would not be required to make up any shortfall.



**16. What is the Better Business Bureau (<https://www.bbb.org>) rating for this investment manager?**

Vanguard: A

**17. How does the Homer Foundation deal with donors who wish to place restrictions upon their donation or designate it for a specific purpose?**

If you donate to the fund, you are endorsing the purpose of that fund, but the board of trustees of THF always has absolute variance powers. If the donor insists on a particular use, the board will try to follow the donor's intent, as long as it falls within the uses specified in the contract signed at the time the fund was created. THF will communicate to the donor that they can pass along specific instructions, but it is ultimately up to the recipient of the earnings to decide how to spend the money. It would be very difficult to track the spending for every individual donor, so the foundation generally doesn't.

**18. Charity Navigator Listing:**

<https://www.charitynavigator.org/index.cfm?bay=search.profile&ein=920139183>

**19. Accredited by National Standards for U.S. Community Foundations?**

Yes.

## **Comments from Current THF Clients**

### **1. Why did you choose this foundation when you established your fund?**

CLIENT 1: Everyone on the board at the time was supportive; we had a windfall of money left over from an earlier project. The board really wanted to create an endowment and there really was no alternative foundation available.

CLIENT 2: By and large, because it's the local player. We did consider ACF, but we have such heavy community connections here it would have been hard to justify going with them. It was also a longstanding goal to partner with THF so it seemed like a given.

### **2. Is your fund subject to any special restrictions as far as withdrawals, spending purposes, etc.?**

CLIENT 1: Once the principal is locked in, it can't be touched, which annoys the board. You can only get a disbursement once a year. You need a pretty big pot to make a real difference. When disbursement is issued, you can do whatever you want with it.

CLIENT 2: No. The basic setup is, it takes \$10,000 to open the endowment, and then you can either choose to reinvest or take disbursements. Once that's disbursed, it goes to us as part of our nonprofit. Maybe the FHL could act as a fiscal agent, rather than the city? I try to discourage the creation of another nonprofit.

### **3. Have you been generally satisfied with this foundation?**

CLIENT 1: Oh, yeah. It's a symbiotic relationship, since they do a whole bunch for us; they give us grants, we get to keep money in the community. Joy Stewart is fabulous. When I redid my will, we considered a number of nonprofits, and legal advice was that THF is a really solid, long-lasting foundation.

CLIENT 2: To be quite honest, I would say neutral. We've always had a struggle between raising money to use now vs. putting it away for a rainy day, especially when all nonprofits are not guaranteed to exist in perpetuity. We needed an operating reserve to prepare for emergencies, like budget cuts, so that's where more of our energy has gone. We haven't really been actively pursuing trusts and wills. When you get to the point of being really stable, when you know you'll be around for 50 years or so, then you can look at long-term investing. THF has been through quite a big change recently. For a while there, their investment strategy went against the market. The board has changed that in the last couple of years, and we're starting to see some growth. The current strategy is more about growth than earnings. I think THF has gained maturity, so I'm optimistic about them, and thinking more about actively pursuing the endowment. Once you give money to the THF, it's not really yours anymore.

#### **4. What has been the best experience about partnering with this foundation?**

CLIENT 1: The fact that they're so receptive. They sometimes seek us out to tell us about grant opportunities. They're real supporters of the library, too, so that benefits you.

CLIENT 2: We also apply for grants with them, and that part of the THF is great, they have a quick turnaround, they have a good process and really meet the need. The personnel are wonderful and they take the time to understand the nonprofit world around here. It's great to see the disbursement money in our bottom line.

#### **5. What's the worst experience?**

CLIENT 1: We don't really have any.

CLIENT 2: The way it was two or three years ago, our endowment was losing money and there was nothing we could do. The accounting at the time was irregular, their quarterly statements didn't always get issued on time. They were starving on staff in order to make more grants. I'm excited about the new admin assistant, the forms are clearer, the investment strategy is better.

#### **6. Is there anything else we should know?**

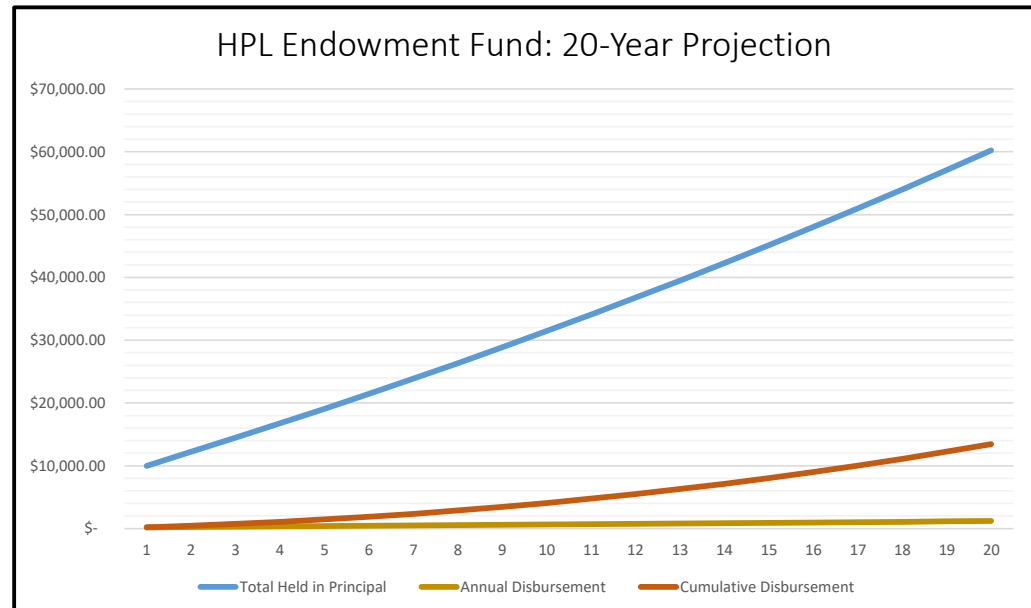
CLIENT 1: Be aware that donations made to the endowment fund can compete with donations made elsewhere, so consider the effect on other organizations—not that that should be a major consideration in your decision.

CLIENT 2: You have an interesting situation. Mike Miller seems like a great new director and the board seems strong. Politically, you will have a very hard time with investing in ACF, because we value investing in our local area.

Starting contribution:	\$ 10,000.00
Annual contributions:	\$ 2,000.00
Market return:	5.00%
- Inflation proofing:	2.00%
- Administration fees:	1.00%
= Disbursement rate:	2.00%

## Low Estimate (\$2k Annual Contributions, 5% Market Rate)

Years After Initial Contribution	Total Held in Principal	Annual Disbursement	Cumulative Disbursement
1	\$ 10,000.00	\$ 200.00	\$ 200.00
2	\$ 12,200.00	\$ 244.00	\$ 444.00
3	\$ 14,444.00	\$ 288.88	\$ 732.88
4	\$ 16,732.88	\$ 334.66	\$ 1,067.54
5	\$ 19,067.54	\$ 381.35	\$ 1,448.89
6	\$ 21,448.89	\$ 428.98	\$ 1,877.87
7	\$ 23,877.87	\$ 477.56	\$ 2,355.42
8	\$ 26,355.42	\$ 527.11	\$ 2,882.53
9	\$ 28,882.53	\$ 577.65	\$ 3,460.18
10	\$ 31,460.18	\$ 629.20	\$ 4,089.39
11	\$ 34,089.39	\$ 681.79	\$ 4,771.17
12	\$ 36,771.17	\$ 735.42	\$ 5,506.60
13	\$ 39,506.60	\$ 790.13	\$ 6,296.73
14	\$ 42,296.73	\$ 845.93	\$ 7,142.66
15	\$ 45,142.66	\$ 902.85	\$ 8,045.52
16	\$ 48,045.52	\$ 960.91	\$ 9,006.43
17	\$ 51,006.43	\$ 1,020.13	\$ 10,026.56
18	\$ 54,026.56	\$ 1,080.53	\$ 11,107.09
19	\$ 57,107.09	\$ 1,142.14	\$ 12,249.23
20	\$ 60,249.23	\$ 1,204.98	\$ 13,454.21

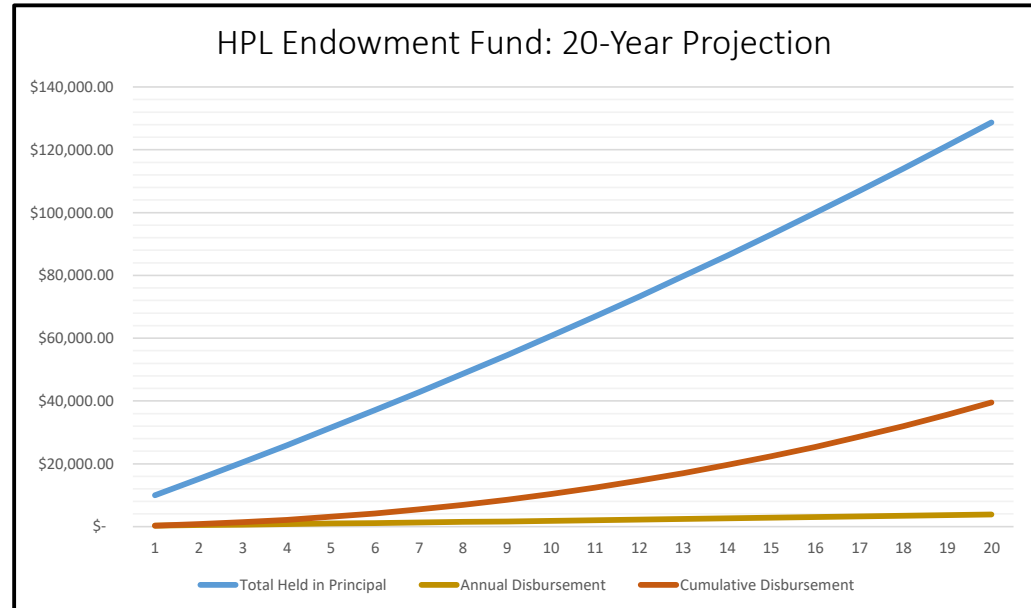


Compare with Wyoming Community Foundation's Endowment Calculator (<https://wycf.org/endowment-calculator>) and Investor.gov (<https://www.investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator>)

Starting contribution:	\$ 10,000.00
Annual contributions:	\$ 5,000.00
Market return:	6.00%
- Inflation proofing:	2.00%
- Administration fees:	1.00%
= Disbursement rate:	3.00%

## Medium Estimate (\$5k Annual Contributions, 6% Market Rate)

Years After Initial Contribution	Total Held in Principal	Annual Disbursement	Cumulative Disbursement
1	\$ 10,000.00	\$ 300.00	\$ 300.00
2	\$ 15,200.00	\$ 456.00	\$ 756.00
3	\$ 20,504.00	\$ 615.12	\$ 1,371.12
4	\$ 25,914.08	\$ 777.42	\$ 2,148.54
5	\$ 31,432.36	\$ 942.97	\$ 3,091.51
6	\$ 37,061.01	\$ 1,111.83	\$ 4,203.34
7	\$ 42,802.23	\$ 1,284.07	\$ 5,487.41
8	\$ 48,658.27	\$ 1,459.75	\$ 6,947.16
9	\$ 54,631.44	\$ 1,638.94	\$ 8,586.10
10	\$ 60,724.07	\$ 1,821.72	\$ 10,407.82
11	\$ 66,938.55	\$ 2,008.16	\$ 12,415.98
12	\$ 73,277.32	\$ 2,198.32	\$ 14,614.30
13	\$ 79,742.87	\$ 2,392.29	\$ 17,006.59
14	\$ 86,337.72	\$ 2,590.13	\$ 19,596.72
15	\$ 93,064.48	\$ 2,791.93	\$ 22,388.65
16	\$ 99,925.77	\$ 2,997.77	\$ 25,386.42
17	\$ 106,924.28	\$ 3,207.73	\$ 28,594.15
18	\$ 114,062.77	\$ 3,421.88	\$ 32,016.04
19	\$ 121,344.02	\$ 3,640.32	\$ 35,656.36
20	\$ 128,770.90	\$ 3,863.13	\$ 39,519.48

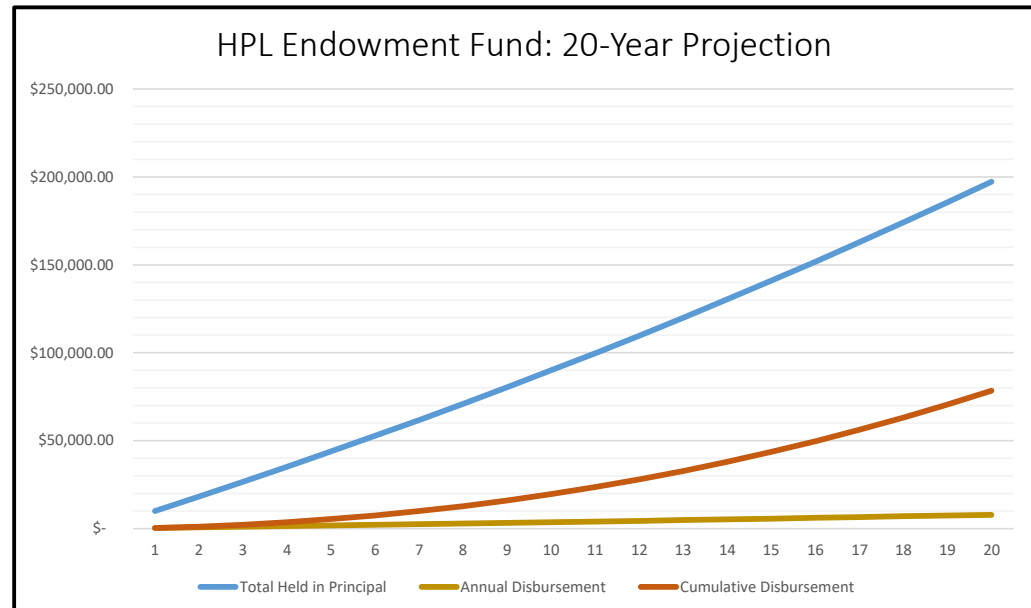


Compare with Wyoming Community Foundation's Endowment Calculator (<https://wycf.org/endowment-calculator>) and Investor.gov (<https://www.investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator>)

Starting contribution:	\$ 10,000.00
Annual contributions:	\$ 8,000.00
Market return:	7.00%
- Inflation proofing:	2.00%
- Administration fees:	1.00%
= Disbursement rate:	4.00%

## High Estimate (\$8k Annual Contributions, 7% Market Rate)

Years After Initial Contribution	Total Held in Principal	Annual Disbursement	Cumulative Disbursement
1	\$ 10,000.00	\$ 400.00	\$ 400.00
2	\$ 18,200.00	\$ 728.00	\$ 1,128.00
3	\$ 26,564.00	\$ 1,062.56	\$ 2,190.56
4	\$ 35,095.28	\$ 1,403.81	\$ 3,594.37
5	\$ 43,797.19	\$ 1,751.89	\$ 5,346.26
6	\$ 52,673.13	\$ 2,106.93	\$ 7,453.18
7	\$ 61,726.59	\$ 2,469.06	\$ 9,922.25
8	\$ 70,961.12	\$ 2,838.44	\$ 12,760.69
9	\$ 80,380.35	\$ 3,215.21	\$ 15,975.91
10	\$ 89,987.95	\$ 3,599.52	\$ 19,575.42
11	\$ 99,787.71	\$ 3,991.51	\$ 23,566.93
12	\$ 109,783.47	\$ 4,391.34	\$ 27,958.27
13	\$ 119,979.14	\$ 4,799.17	\$ 32,757.44
14	\$ 130,378.72	\$ 5,215.15	\$ 37,972.59
15	\$ 140,986.29	\$ 5,639.45	\$ 43,612.04
16	\$ 151,806.02	\$ 6,072.24	\$ 49,684.28
17	\$ 162,842.14	\$ 6,513.69	\$ 56,197.96
18	\$ 174,098.98	\$ 6,963.96	\$ 63,161.92
19	\$ 185,580.96	\$ 7,423.24	\$ 70,585.16
20	\$ 197,292.58	\$ 7,891.70	\$ 78,476.86



Compare with Wyoming Community Foundation's Endowment Calculator (<https://wycf.org/endowment-calculator>) and Investor.gov (<https://www.investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator>)

LIBRARY ADVISORY BOARD  
REGULAR MEETING  
MAY 7, 2019

PROGRAM SURVEY/REQUEST FOR FUNDS FOR SURVEY, AND #4 CONTINUE TO DEVELOP RELATIONSHIPS WITH OTHER KENAI PENINSULA LIBRARY BOARDS.

Boardmember Finn asked for further clarification on Goal #3. Boardmember Peterson gave a report on current relations with other KPB library boards and opined the importance of keeping it/continuing to foster relations. There was discussion on what other communities do, besides having a money-generating program or group like the Friends of the Homer Library.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

- B. Planned Giving Program
- i. HCC 2.48.050(e) LAB Powers & Duties Re: Solicitation of Donations
  - ii. HPL Gift Acceptance Policy
  - iii. "Leaving a Legacy through Planned Giving" Webinar Info

Chair Kuszmaul provided a summary on hers and Library Director Berry's meeting with the City Manager to present the idea of establishing a Planned Giving Program. Ms. Kuszmaul shared her opinions on the concept and further identified the next steps to make the program happen:

- Review Library's gift policy
- Review City's gift acceptance policy
- Review best practices for planned giving from other municipalities and library systems
- Draft recommendations for any changes in either library or city policy to facilitate planned giving to the library or other City departments
- Develop a planned giving program for the library
- Implement

KUSZMAUL/PETERSON MOVED TO MOVE FORWARD ON DEVELOPING A PLANNED GIVING PROGRAM FOR THE HOMER PUBLIC LIBRARY.

Library Director Berry provided his comments and support on the need to revise City Code and the gift acceptance policy to include larger gifts, such as large estate donations. Per an inquiry from Boardmember Finn, Mr. Berry further clarified there may be a need to split the policy between small and large gifts. Deputy City Clerk Tussey suggested the board hold a worksession at a later date to further discuss the policy details.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

There was brief discussion on coordinating efforts to work on the program. Ms. Tussey reminded the boardmembers to work directly with the staff person (Mr. Berry) but not together to ensure compliance with the Open Meetings Act.

LIBRARY ADVISORY BOARD  
REGULAR MEETING  
AUGUST 6, 2019

- ii. Director's Report dated June 30, 2019
- iii. Director's Report dated July 31, 2019
- iv. 2019 YTD Library Use Statistics – Laydown

Library Director Berry provided his staff report, noting the recent events explained in his three staff reports for the months of May, June, and July. He facilitated discussion and responded to questions regarding statistics, concerns over state budget cuts and their effect on the Homer Library, use of the sharps containers at the library, and library staff's participation in an Alaska Humanities Forum workshop on facilitating difficult conversations.

**PUBLIC HEARING**

**PENDING BUSINESS**

- A. Planned Giving Program
  - i. Memo from LAB Chair Kuszmaul Re: Library Gift Policy/Planned Giving Program
  - ii. "Leaving a Legacy Through Planned Giving" Webinar Info
  - iii. ALA information on Implementing a Basic Planned Giving Program
  - iv. HCC 2.48.050 Library Advisory Board – Powers & Duties

Chair Kuszmaul shared the information she learned from "Leaving a Legacy through Planned Giving", an online webinar that can provide a common base of understanding on implementing a basic Planned Giving Program. She explained that the first step in implementing such a program is to make sure current gift policy matches Homer City Code, where there are some discrepancies.

There was discussion on interpretations of the existing policy and code, the process for donating to the library and its current challenges, and seeking funds from City Council to utilize professional assistance to help set the program up. Mr. Berry noted that City Council has talked about hiring a City capital assets manager that could assist with a future program if such a person was hired. Ms. Kuszmaul emphasized that this project is long term, and that the LAB can work on it over the following months.

PETERSON/SCHMIDT MOVED THAT THE LAB MOVE FORWARD WITH A PLANNED GIVING PROGRAM.

There was discussion on whether there should be a 6 month time limit. The board agreed that leaving it open would be the best.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

- B. Gift Acceptance Policy
  - i. Memo from Library Director Berry Re: Library Gift Acceptance Policy
  - ii. HPL Existing Gift Acceptance Policy

Library Director Berry explained the gift acceptance policy and the discrepancies between what existing policy states, what is in City Code, and what is actually being practiced. He noted that the current policy is relatively good on listing the process of accepting gifts, but essentially says nothing about what to do



LIBRARY ADVISORY BOARD  
REGULAR MEETING  
AUGUST 6, 2019

with the donations afterwards. The policy and code are vague on if monetary donations have to be accepted by City Council through an ordinance, or if the Library Director has that authority as outlined in the library's gift acceptance policy that was approved by City Council.

The board discussed their interpretations of existing policy and City Code, and their concerns with how donated funds (given by donors who explicitly wish for it to go to the library) could be re-appropriated by City Council since they oversee the City's budget. The board agreed that the process for the receipt and disposition of gift donations should be more clear and consistent. City Staff clarified verbiage related to selecting a gift acceptance committee and listing out what kind of steps would need to be added to the policy.

Boardmember Peterson suggested the board have a worksession. Discussion ensued on who should attend (such as an attorney and a member of the PARCAC), when it should take place, and what the focus will be on. Deputy City Clerk Tussey said she would follow up with the City Clerk on the appropriate protocol and coordinate with Mr. Berry on when staff will have the worksession materials available.

- C. Library Strategic Plan 2020-2025
- i. Memo from Library Director Berry Re: Library Strategic Plan 2020-2025
  - ii. HPL Strategic Plan 2020-2025 DRAFT

Library Director Berry shared his revisions to the library's 2020-2025 Strategic Plan. The board discussed and directed questions to Mr. Berry regarding the following goals/priorities listed in the plan:

- Increasing public meeting room space or installing a metal gate to allow meetings after library hours
- The library's role during an emergency such as a tsunami
- Promoting databases
- Reaching out to homeschoolers to provide services
- Partnerships with other communities to share resources
- Other short/mid/long term priorities in general

At the request of the board, Mr. Berry agreed to bring a final draft to the September meeting for final approval.

- D. Joint LAB/FHL Fall Soiree Planning
- i. Memo from Library Director Berry Re: Joint LAB/FHL Soiree

Library Director Berry introduced the idea of organizing an event with the Friends of the Homer Library board. The board discussed location and time options and provided feedback to Mr. Berry to share with FHL at their meeting tomorrow.

There was a general consensus that October 4<sup>th</sup> at 6:30 pm would work for a "fall fling" and to establish the event as an annual occasion, and directing Mr. Berry to share the concept with the FHL board.

**NEW BUSINESS**



## **Homer City Hall**

491 E. Pioneer Avenue

Homer, Alaska 99603

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

# **City of Homer Agenda**

**Library Advisory Board Worksession  
Tuesday, September 3, 2019 at 3:30 PM  
City Hall Cowles Council Chambers**

**CALL TO ORDER, 3:30 P.M.**

**APPROVAL OF AGENDA**

**DISCUSSION TOPIC(S)**

- A. Gift Acceptance Policy
  - i. Memo from Library Director Berry Re: Gift Acceptance Policy
  - ii. Draft Donation Acceptance and Management Policy
  - iii. Draft Donor Recognition Policy
  - iv. Informational Materials Relating to Library Gift Policies
  - v. Informational Materials Related to Existing Homer City Policies

**COMMENTS OF THE AUDIENCE** (3 minute time limit)

**ADJOURNMENT**

Next Regular Meeting is TUESDAY, OCTOBER 1, 2019 at 5:30 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

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VOTE: YES: SPRINGER, KUSZMAUL, PETERSON, VERNON, FINN, SCHMIDT

Motion carried.

- B. Library Strategic Plan 2020-2025
- i. Memo from Library Director Re: Draft of Library Strategic Plan
  - ii. Draft Library Strategic Plan 2020-2025 dated 8/27/19

Chair Kuszmaul introduced the most recent draft of the Library Strategic Plan and called for a motion.

PETERSON/SCHMIDT TO APPROVE THE AMENDED 2020-2025 STRATEGIC PLAN FOR THE HOMER PUBLIC LIBRARY.

Chair Kuszmaul requested to suspend the rules to allow public comment during the discussion. There was general consensus from the board to allow it.

Library Director Berry explained the changes that he made to the strategic plan. He included suggested amendments from the board and input from library staff. There were brief questions for clarification from the board on the draft.

VOTE: YES: SCHMIDT, SPRINGER, PETERSON, VERNON, FINN, KUSZMAUL

Motion carried.

- C. Library Gift Policy (see Sept. 3, 2019 Worksession Packet for Materials)

Chair Kuszmaul gave a short overview of what the board accomplished in their earlier worksession and called for a motion to take action on what was discussed. Library Director Berry clarified whether the board wanted to approve the revised policy as written, or to bring it back to the next meeting with all the changes for final approval.

VERNON/FINN MOVED TO DIRECT STAFF TO BRING A REVISED VERSION OF THE LIBRARY GIFT POLICY DRAFT TO THE NEXT MEETING.

Boardmember Peterson noted that research tasks were assigned to members and staff, and that more can be done at the next meeting once everyone brings their data/revised policy. Ms. Kuszmaul read for the record the board's next steps:

- Research community foundation options: getting as much background as possible
- Drafting a narrative to introduce the benefits of the new policy to City Council to seek a sponsor
- Formalize appreciation for donors
- Create materials for promotion

The board held discussion on their worksession, details of some of the next steps, and which boardmembers will work on parts of the plan to bring to the library director to include in the revised draft. Mr. Berry reiterated that the board felt the best approach going forward is to create an endowment fund for the library: an investment fund that can generate income for the long term. The

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next step is to flesh out that idea, perfect the proposal, and then sell it to City Council then the public for buy-in.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

**NEW BUSINESS**

- A. Library Budget Request
  - i. Memo from Library Director Re: FY 2020-2021 Budget Requests
  - ii. Library's Operating Budget

Library Director Berry reviewed his budget amendments with the board. The three budget changes he is asking for includes:

1. An accounting change to Communication; not really an increase but a change in how the money is tracked from a different budget account.
2. A \$7,000 increase in Books/Subscriptions; in the past the funds came from State grants but due to the State's financial uncertainty that grant may not be there.
3. An increase to Membership and Dues to cover membership rate increases for library databases and associations.

Chair Kuszmaul inquired on where the previous communication funds were listed, with Mr. Berry explaining City Staff's reasoning for the change. Boardmember Finn asked if he gets the sense this will be approved easily. Mr. Berry responded that he has a meeting with the City Manager on September 11<sup>th</sup> to propose the amendments and feels they're realistic and will be approved. Ms. Kuszmaul noted that this will be the City's first two year budget cycle. Boardmember Peterson questioned the increase to salaries/benefits. Mr. Berry clarified that he has no say on that section, that all personnel budget items are established and handled by Human Resources. Responding to Ms. Finn's questions, Mr. Berry said that he is comfortable with this budget, has no urgent needs on the horizon, and doesn't think he needs anything from the LAB at this time for the Council report. He explained that the liability insurance line items are handled through finance, and what the zeros meant under salaries/benefits.

VERNON/FINN MOVED TO APPROVE THE BUDGET AMENDMENTS AND RECOMMEND THAT CITY COUNCIL APPROVE THEM.

No further discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried.

**INFORMATIONAL MATERIALS**

- A. Memo from Library Director Re: LAB/FHL Soiree Schedule
- B. Resolution 19-053(A) Revised Patron Registration Policy
- C. Recognition Certificate & Letter for Mark Massion

## **VISITORS/PRESENTATIONS**

### **A. Mike Miller, Executive Director, Homer Foundation – About the Homer Foundation**

Mr. Miller provided a presentation on the Homer Foundation and the services that the Foundation provides to the Southern Kenai Peninsula from Ninilchik to Nanwalek. He explained the types of funds and benefits of investing in the various funds and or endowments. Mr. Miller explained that they have a goal to give away \$800,000 per year and raise a corpus of \$20 million dollars. He applauded the Board for considering setting up an endowment. It is believed that with the aging society and the wealth available it is an opportunity. Additional points of interest and information provided were on the following:

- Creation of specific funds needed by entities
- Changes on the management of the Homer Foundation
- Donations can be as small as \$2.50 and there is no limit, A \$10,000 start is required for a named fund
- Funds were managed locally up until two years ago when they transitioned to a Fund Manager and selected Vanguard
- Community Funding for non-profits
- Endowed funds versus non-endowed funds

Mr. Miller then answered questions from the Boardmembers on the following:

- Setting up named funds and the requirements
- Donations of real property and the process
- Vanguard Management received their 1% of the profit
- The Homer Foundation competitors as far as donations is separated by the type of donor and how they might be connected with the organization or the cause that the organization promotes or supports
- Public perception of the Homer Foundation
- Unable to quantify the Homer Foundation share of the receipts of the entire community in giving/donations made overall
- Vanguard's fee is prior to the distribution
- The \$20 million corpus goal would allow for the \$800,000 annual give away and statistically speaking they are raising the level but believes it would be attainable in the Homer Community
- Provided explanation on the process for funds that were not designated

Mr. Miller complimented the Alaska Foundation but did note that they are not based in Homer or the Homer area. He acknowledged that they do offer a wider range of investment opportunities than the Homer Foundation but covered the entire state where Homer Foundation focused on local investment opportunities.

## **STAFF & COUNCIL REPORT/COMMITTEE REPORTS**

- A. Library Director Report dated September 27, 2019
- i. 2019 Statistical Report (laydown)
  - ii. 2018 Statistical Report

Library Director Berry provided an overview of September in the library, and discussed/facilitated questions from the board on the following topics:

- Very busy month of September planning for the possible teacher's strike which did not happen
- Kate Finn and I interviewed two community foundations about their endowment funds as part of the LAB's ongoing project to develop a planned-giving program.
- Separately I gave some brief speeches at the Elks Lodge and the Rotary Club
- Met with Rob Wiard to look at refurbishing the library's countertops.
- Cross-training among staff in order to provide backups for essential library operations
- The bookmobile has been decorated with two illustrations from *Matilda*, one on each side of the back door.

The Board reviewed the 2019 Statistics provided as a laydown.

## **PUBLIC HEARING**

## **PENDING BUSINESS**

- A. New Library Donation Policy & Donor Recognition Form
- i. New Library Donation Acceptance & Management Policy
  - ii. Donor Recognition Form

Chair Kuszmaul introduced the item for the record and invited the Library Director Berry to provide his report for the Board.

Library Director Berry reviewed his report and the amended draft of the Donation Policy from the September meeting plus the proposed form that was requested. This form is for staff use.

Boardmembers reviewed the draft donor form and the following points were raised:

- Donation policy – discussion on the amount indicated where the Library Director would require additional review and approval/input
- This form should not be used for large donations and should be used only for the current donations of the small donors or books, etc.
- Brief discussion on donor plaques, shelves, etc.
- There is currently no policy for naming rights of facilities
- Ability to request naming rights for a room if substantial donation was made
- Formatting of the donor form

- Name with check box for anonymous

A discussion ensued on leaving the amount of “\$5000 or more” in the policy on page one, under Equipment and Other Physical Items blank at the concern expressed by Chair Kuszmaul as to the necessity of Council to need to have a say in the acceptance of endowments or monetary amounts. She offered that the amount could be higher. Opposition was expressed by the Board on leaving it blank. Library Director Berry will consult with City Manager Koester on what would be acceptable to Council.

Further discussion ensued on large donors and use of the form and holding recognition events for large donors was more of Friends type not the Board but it was pointed out that the Friends would not be involved in getting or accepting this money it would be the Board.

FINN/SCHMIDT MOVED TO POSTPONE THE NEW LIBRARY DONATION POLICY UNTIL AFTER THE PRESENTATION FROM THE ALASKA COMMUNITY FOUNDATION.

There was a brief discussion on the scheduling of the presentation for The Alaska Community Foundation.

VOTE. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

- B. Selecting a Community Foundation to Manage the Library Endowment Fund
- i. Alaska Community Foundation Interview Responses
  - ii. The Homer Foundation Interview Responses
  - iii. Informational Materials from Alaska Community Foundation
  - iv. Informational Materials from Homer Foundation

Chair Kuszmaul introduced the item by reading of the title into the record.

Library Director Berry reviewed his report for the Board. He stated that those two foundations are the competitors for their business and there is some advantage to staying local but there is some advantage to go with The Alaska Community Foundation. He did note that Seward Library and Petersburg work with the Alaska Community Foundation. He then responded to questions from the Board related to the following:

- The amount currently available to start the fund is just under \$4000
- There is currently no plan to increase the amount but he is going to ask the Friends for a 1/1 Challenge Grant so he has no worry on reaching the \$10,000 amount.
- The Friends also work with the Homer Foundation
- Contact has not been made to check the references that were provided by the Homer Foundation
- It would be best to have the set of questions to ask each client, Boardmember Springer volunteered to assist Library Director Berry in canvassing the Clients of each perspective Foundation.

- Questions from the Board members should be sent to staff who will then distribute and work with Boardmember Springer to schedule the interviews

Boardmember Finn thanked Library Director Berry for his work in getting all the information together for them.

C. Library Endowment Fund Proposal  
i. Draft Proposal for a Library Endowment Fund

Chair Kuszmaul introduced the item into the record.

Library Director Berry provided a brief summary on the proposal and asked if there were any questions.

A discussion ensued on approaching the Council to advocate support for the proposed creation of an Endowment Fund for the Library and who they should solicit first to become a sponsor.

Library Director Berry stated that this information will be presented to the City Manager prior to them approaching Councilmembers. He requested input on the proposed language in the packet.

There was a brief discussion on the wording in the proposal and no further amendments were proposed by the Board.

FAIR/FINN MOVED THAT THE LIBRARY ADVISORY BOARD APPROVES THE PROPOSAL FOR THE LIBRARY ENDOWMENT FUND AS WRITTEN WITH THE AMENDMENTS AND CHANGES.

There was a brief comment on adding the date at the bottom.

VOTE. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

D. Update on FY 2020-2021 Budget Requests

Library Director Berry reviewed his report and stated that in his meeting with the City Manager and Finance Director they received \$1500 for the increase in periodicals but did not get an increase in funding for books. He responded to questions from the Board regarding the reason for not getting the increase and the previous year funding amount.

**NEW BUSINESS**

**INFORMATIONAL MATERIALS**



Chair Kuszmaul noted that Anne Garrett was not present at the meeting; no presentation was given.

### **STAFF & COUNCIL REPORT/COMMITTEE REPORTS**

- A. Library Director Report dated October 30, 2019
- i. 2019 Statistical Report (laydown)
  - ii. 2018 Statistical Report

Library Director Berry reviewed his staff report with the board and facilitated discussion on the following topics:

- Events throughout October including the Friends of the Homer Library Soiree, showing of *The Public* at the Homer Theatre, and the Book and Plant Sale;
- Numerous meetings and research done for the Library Endowment Fund;
- Library facility issues related to building wiring, printers not working, and a natural gas smell;
- Discussion during/after the movie event about support for a men's shelter;
- Status of the StoryWalk posts and display boards being replaced.

### **PUBLIC HEARING**

### **PENDING BUSINESS**

- A. Draft Ordinance Establishing a Library Endowment Fund
- i. Draft Ordinance 19-xx Establishing a Library Endowment Fund
  - ii. Example Ordinance from Warren-Newport Public Library District
  - iii. Example Ordinance from Wilsonville Public Library Board

Chair Kuszmaul introduced the agenda item. She gave a brief overview of the ordinance, that Library Director Berry was encouraged by City Manager Koester to draft it and now was the time for the LAB to provide their input. Mr. Berry explained the reasoning and sections of the ordinance draft, and shared what he learned from the City Manager and the Homer Foundation when writing the ordinance.

The board discussed the draft ordinance, noting and directing questions to staff on the following:

- The LAB is advisory, meaning it's not an administrative board, so it cannot be a recipient of funds; Section 2 creates a 3-person board to oversee allocation/disbursement of funds.
- Has to be a "field of interest" fund since we are a municipality.
- Per recommendation from councilmembers, Section 4 outlines what the purpose of the funds would be for.
- Section 5 will transfer the existing Library Gifts fund (currently under \$4,000) to the future Library Endowment Fund account to get it going.
- Number of members that would be on the Library Endowment Board: the board mutually agreed to keep it at three; the public member should be a resident of the City, or be a member of the library service area.
- Adding "for the duration of his/her" term for the appointed LAB member.
- Adding another "Whereas" to state the LAB's recommendation of having the endowment fund and using verbiage from the LAB's bylaws on aiding in setting policy.

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- Changing the word “spend” to “appropriate” under Section 4.
- Possibly adding “Special Projects” or something worded similarly, in Section 4 to give a bit more wiggle room to the purposes rather than just the three listed. Boardmember Finn gave an example of a special project. Mr. Berry explained his reasoning to leave it as-is and open, and that adding in a section about special projects may overstep into the FHL since that’s specifically the service they provide.
- Describing the essence of what the endowment fund would be used for.

Chair Kuszmaul reminded the board that there will be other opportunities to amend this draft ordinance from the City Attorney, from the sponsoring councilmembers, and from the City Clerk’s Office. There was brief discussion with staff on what action from the board may be needed at this time.

KUSZMAUL/FINN MOVED TO HAVE LIBRARY DIRECTOR BERRY MAKE THE RECOMMENDED CHANGES TO THE DRAFT ORDINANCE, AND THAT IT BE THE DRAFT THAT IS SUBMITTED TO THE CITY ATTORNEY AND COUNCILMEMBERS VENUTI AND ADERHOLD FOR FURTHER INPUT.

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried.

B. Proposal to City Council Regarding a Library Endowment Fund  
i. Draft Proposal for a Library Endowment Fund

Chair Kuszmaul introduced the agenda item. Library Director Berry explained that the goal is to have a scheduled worksession with City Council where the LAB can present their Library Endowment Fund Proposal, detailing out the gathered information on endowment funds, The Homer Foundation (THF), the Alaska Community Foundation (ACF), revenue projections, and the ordinance setting it up.

Mr. Berry noted what components of the proposal were new and shared feedback he received from other clients of the foundations; overall mostly positive. He explained that shortly after the agenda was set, Anne Garrett with ACF had contacted him about voluntarily withdrawing their proposal from consideration and why. Ms. Garrett stated that the ACF did not realize it was a competitive process and they didn’t want to be in competition with a local foundation, and highly recommended the City goes with THF unless we had a good reason we don’t want to select them. Mr. Berry opined that it seemed ACF wasn’t fully closing the door on the possibility, but that they were encouraging to go with THF.

Boardmember Peterson commented that ACF is still technically a “state” local foundation, therefore why wouldn’t Homer be considered local. She voiced her concerns with only having one option with the Homer Foundation, issues she sees with THF, and her reasoning for preferring ACF over the other.

Boardmember Fair stated that the LAB should hear from ACF but that it likely will have to be insisted. He reasoned that internal politics may have had a role in them withdrawing, but it seemed they had “left the door open” and we could still try to schedule a presentation in December.

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Chair Kuszmaul shared her concerns that she didn't think bringing one choice without any other options doesn't give them a strong leg at the Council level. She felt that they wouldn't have done their due diligence if they opt for just one. Boardmember Vernon noted that the foundation's rate of return should be important and suggested considering the Juneau Foundation.

The board discussed their concerns with ACF withdrawing, the issues with only having The Homer Foundation as one choice. They mutually agreed that doing their due diligence is their obligation as a board and what is important is that people see they're giving their money to the library, not which foundation is managing it.

PETERSON/FAIR MOVED TO ASK THAT LIBRARY DIRECTOR BERRY DO A FOLLOW-UP REQUEST WITH THE ALASKA COMMUNITY FOUNDATION AND TO HAVE THEM PRESENT AT THE LAB'S DECEMBER MEETING.

Mr. Fair inquired on what the board will do if ACF declines to present, and if they'd follow up with a different foundation, such as the Juneau Foundation. Mr. Vernon commented that the Juneau Foundation does work with other communities. There was discussion on the motion and that the board will decide to contact other foundations at their next meeting once they know if ACF will accept their request or not. Boardmember Schmidt voiced his concerns with some of THF's policies on limiting fund withdrawals.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried.

Chair Kuszmaul shared some of the positive feedback and support given by Councilmember Venuti. She pointed out aspects of the presentation that were based on the feedback from both councilmembers, and other sections she wanted the board to be aware of.

There was discussion on other general aspects of having an endowment fund and the possibility and timing concerns with scheduling a worksession. Deputy City Clerk Tussey shared the Council meeting information she gathered from the City Clerk. Mr. Berry voiced his concerns with delaying the worksession/proposal past January or February. The board mutually agreed to have a joint worksession with City Council at their January 13, 2020 meeting.

## **NEW BUSINESS**

### **A. Encouraging Students to Obtain Library Cards**

Student Representative Greear spoke to what she learned on trying to find outreach options at her school on encouraging students to obtain library cards. She stated that the principal was not enthusiastic about offering incentives unless the school was getting reimbursed for discounts. The principal was willing to allow library card application forms be kept at the front desk and to hang posters in the hallways. She shared her experiences with advocating for change as a student.

A. Amy Skilbred, Juneau Community Foundation Presentation

Vice Chair Springer introduced Amy Skilbred with the Juneau Community Foundation (JCF), who was presenting telephonically.

Ms. Skilbred gave a brief description of what their foundation does for their community, how they invest, and the conversations she has had with foundations in the Homer area. She explained that the JCF board agreed their foundation was very similar to The Homer Foundation (THF) and recommended that the LAB choose THF for managing the endowment fund. A primary reason for this recommendation is that all foundations strive to support other foundations within their local community; it is how foundations grow, you'd be reinvesting in your community, and THF understands our locale better than an outside foundation.

Boardmember Kuszmaul voiced her concerns about limited abilities on moving funds around. Ms. Skilbred explained dynamics of agency/endowment funds and how their foundation works with customers to ensure their expenses are always covered and that they're not short on funds, and also how funds are moved around in the situation that an organization goes away.

Nina Kemppel, Alaska Community Foundation, also responded to Ms. Kuszmaul's question and reinforced Ms. Skilbred's response. She also spoke to variance power and that the ACF doesn't use it unless absolutely critical; their mission is to benefit the community and organizations for the long run.

Vice Chair Springer asked the board if there were any additional questions for Ms. Skilbred or if they would prefer to discuss/ask questions openly, and requested that Ms. Kemppel introduce herself to the board. The board mutually agreed to have an open discussion with both foundation representatives.

B. Nina Kemppel, Alaska Community Foundation: Follow-up Re: Additional Info Request

Nina Kemppel, CEO with the Alaska Community Foundation (ACF), gave further information regarding their foundation. She explained what they call the "Affiliate and Partner" model, which is a nation-wide agreement that allows numerous associations to support the diverse needs of a large area rather than it being up to one sole foundation. She noted that this model works best for Alaska. The core, fundamental belief is that local fundraising, local grant making, and local support of non-profit sector is best done by people in the community in which they live. She reiterated their support for THF and that the LAB selects them.

Boardmembers discussed the information provided and directed questions to Ms. Skilbred and Ms. Kemppel on the following topics:

- Differences between the foundations, such as not all use Vanguard, layout/percentages of accounts where the money is being invested, and how THF has a 40% socially responsible fund option while the others do not.
- Community foundations' stances on socially responsible investing.
- How the Affiliate Family Program works; provides training, a part-time program manager, and the parent foundation matches dollar-for-dollar what the affiliate raises in their community.

- THF being a partner, not an affiliate, and how that affects the library; key benefits include partners are vetted on all training/growth opportunities and have access to the ACF's policies that have already been approved and gone through the arduous process of being certified by the National Standards Review for Community Foundations.
- If there is insurance coverage provided, mainly for funds that aren't protected by FDIC.
- How the ACF's matching fund program works and the success rate of other communities that participate in the program.
- Whether the foundations invests in foreign stocks, and if so, how funds are allocated throughout those stocks.

Vice Chair Springer thanked Ms. Skilbred and Ms. Kempel for calling in.

### **STAFF & COUNCIL REPORT/COMMITTEE REPORTS**

- A. Library Director Report dated November 23, 2019
- i. 2019 Statistical Report (laydown)
  - ii. 2018 Statistical Report

Library Director Berry provided his staff report and facilitated discussion with the board on the following items:

- Upgraded library software to new version, and working out the bugs from that update.
- Received a \$300 grant from Google to hold a Google CS First Hour of Code class.
- Facility upgrades/maintenance including replacing LED light bulbs and drainage pipe at the front entrance.
- Coordinated efforts with Boardmember Schmidt and Student Representative Greear on increasing student card registration.
- Improvements to the library trail are planned for the spring to clear underbrush and possibly add lighting to help mitigate drug use in the forested area by the library. The recently approved Wayfinding-Streetscape Plan could potentially include new signage for the trail as well.
- 2019 statistics weren't available but would be emailed out tomorrow.

### **PUBLIC HEARING**

### **PENDING BUSINESS**

- A. Library Endowment Fund Proposal
- i. Library Endowment Fund Options: Pros & Cons Chart
  - ii. Administrative Fee Chart for Juneau Community Foundation
  - iii. Revised Draft Endowment Fund Proposal to City Council
  - iv. HCC 3.10 Investment & Collateralization of Public Funds

Library Director Berry spoke to the memo outlining what he learned on how the City manages funds. He reminded the board that there is a joint worksession scheduled with City Council January 13<sup>th</sup> and what the board's six options are to recommend to them. Mr. Berry's staff recommendation is to create a permanent endowment fund with The Homer Foundation. Failing that, his second recommendation

would be to create a non-endowed fund with The Homer Foundation, which may be a new option offered by THF in the future.

Boardmember Finn noted that the Juneau and Alaska Community Foundations did recommend the Homer Foundation, and she takes their recommendation seriously given their experience. She is open to other boardmembers' ideas but is willing to go with THF, especially since they are the only foundation that has socially responsible funds and that is important to her.

Boardmember Peterson shared her reservations with THF due to their small staff size and the possible lack in checks-and-balances. Mr. Berry responded, noting that the JCF is not any bigger than THF.

SCHMIDT/FAIR MOVED TO SUSPEND THE RULES TO ALLOW MIKE MILLER, THE HOMER FOUNDATION, TO PARTICIPATE IN THE DISCUSSION ON FOUNDATIONS.

Boardmember Vernon inquired on if an audience member could also participate. Deputy City Clerk Tussey clarified if the board is wishing for the THF representative to participate or if they're wanting to open the discussion to the public, which wasn't appropriate at that time. The board agreed to just have Mr. Miller participate.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

Mike Miller noted that it's very common for foundations to have small staff sizes. He answered other questions from the board regarding accreditation, mix of stocks and bonds (Vanguard) and how those are invested. He explained the foundation's operations and who is on the THF board that makes decisions. Discussion ensued on how people can donate on THF's portal and issues with how available funds are listed on their website, and ways they could be presented to prevent confusion.

Boardmember Kuszmaul opined on recommending they create a non-endowment fund with THF, with the option to later convert it into an endowment. Discussion ensued on how the Library Endowment Fund should be organized and how the board foresaw the funds being used/managed. Mr. Miller explained the following:

- Differences between an endowment fund vs. non-endowment fund.
- The three fund options THF provides (Agency Endowment, Field of Interest, Donor Advised).
- What a "Field of Interest Fund" is and how it's the most applicable to the LAB's goals/situation.
- That the library will be limited on their starting option to what's called an "Acorn Fund" given the fact they have less than \$10,000 for their initial investment; "Acorn Funds" have a minimum investment of \$2,500 with the caveat that the fund must reach \$10,000 within two years or the money is forfeited to THF.

Mr. Berry referenced the draft ordinance that lists the purposes the earnings derived from the Library Endowment Fund would be appropriated towards. He noted that the vision for these funds has always been to provide a permanent stream of revenue that can be counted towards core library operations. There was brief discussion on whether the LAB wanted to maintain what was written out in the draft

ordinance, or if they wanted to significantly alter the document to change the type of fund and its uses. Mr. Berry emphasized that the establishing ordinance needs to specify the kind of fund, it can't be left blank, and what code amendments would be required to change it if the board opted to create a non-endowed fund and then switched it to an endowment fund later. He also noted that partnering with THF is not just about managing money, but also about managing donors and community relationships as well.

Discussion continued on the options available to the LAB, with questions directed to Mr. Berry and Mr. Miller for clarification. The board thanked Mr. Miller for his participation.

KUSZMAUL/SCHMIDT MOVED THAT THE LAB AND LIBRARY WORK WITH THE HOMER FOUNDATION TO ESTABLISH AN ACORN FUND TO START FUNDRAISING, AND THAT WE EXECUTE AN AGREEMENT WITH THE HOMER FOUNDATION.

Boardmember Kuszmaul opined to the board on whether they're establishing it as an endowment or non-endowment fund. Mr. Berry asked for clarification on if the motion was to establish an Acorn Fund with THF and defer the decision on whether it should be endowed/non-endowed. Mr. Miller clarified that THF does not have a non-endowment fund option available at this time; it is something their board is working towards having possibly by February 2020. He suggested that the LAB authorize the Library Director to work with THF on developing a fund agreement to recommend to City Council. He and Mr. Berry could work out the parameters of an Acorn Fund with the anticipation of it either being an endowment or non-endowment fund, and would then have a document to consider.

Per questions posed by the board, Mr. Berry reiterated the following:

- That the LAB needs to decide on their recommendation to City Council, who makes the ultimate decision.
- To remember that any concept proposed at the January 13<sup>th</sup> worksession will also go through the City Attorney for review.
- That the Friends of the Homer Library already has an endowment fund with THF but theirs is focused on programs outside of the library; they do not want to be involved in core library operations such as purchasing materials or equipment.

The board took turns voicing their opinion on if they prefer endowment vs. non-endowment and where they stand in the process; majority of the boardmembers felt going with an endowment fund initially is the better option. There was discussion on how the motion can be amended.

FAIR/FINN MOVE TO MAKE AN AMENDMENT TO RECOMMEND TO CITY COUNCIL THAT WE ESTABLISH AN ACORN FUND WITH THE HOMER FOUNDATION IN THE FORM OF A "FIELD OF INTEREST" ENDOWMENT FUND.

There was brief clarification on just stating endowment fund, rather than "fully endowed" fund.

VOTE (amendment): NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

Vice Chair Springer requested Deputy City Clerk Tussey read back the main motion with the amendment for clarification. Ms. Tussey noted that Ms. Kuszmaul, seconded by Mr. Schmidt, moved that the LAB establish an Acorn Fund with The Homer Foundation, then was amended to include in the form of a "Field of Interest" Endowment Fund.

VOTE (main motion as amended): YES: PETERSON, SPRINGER, SCHMIDT, FINN, FAIR, KUSZMAUL  
NO: VERNON

Motion carried.

Vice Chair Springer called for a four minute recess at 7:24 p.m.

The meeting was called back to order at 7:28 p.m.

Mr. Berry requested the board to clarify if he needs to work with Mike Miller with THF to draft a fund agreement to bring to the worksession.

FAIR/PETERSON MOVED TO DIRECT LIBRARY DIRECTOR BERRY TO MEET WITH MIKE MILLER OF THE HOMER FOUNDATION TO CREATE A ROUGH AGREEMENT FOR AN ENDOWMENT FUND.

Boardmember Finn asked when the other boardmembers would be able to review the draft agreement before the City Council worksession. Deputy City Clerk Tussey noted that she could distribute any prepared draft to the boardmembers and they could submit comments directly to staff. Mr. Berry reminded the board that the point of the worksession is to hammer out the details of an agreement; they do not have to have a polished presentation ready to go.

Ms. Kuszmaul opined that the material they have prepared so far, plus the items from THF, would be sufficient to have a discussion on with Council and all the info about the other foundations should be removed from the proposal. She recommended that the details of the agreement should be worked out at the worksession with Council, instead of crafting the agreement without their input, and then bring forward a more finalized proposal at another Council meeting.

Discussion ensued on whether a draft agreement should be prepared before the worksession, or if it should be worked out with City Council at the worksession. There were concerns of getting too far ahead of Council.

VOTE: NO: PETERSON, SPRINGER, SCHMIDT, FINN, FAIR, KUSZMAUL, VERNON

Motion failed.

Mr. Berry stated that he will contact and update Mr. Miller after the January 13<sup>th</sup> City Council worksession.

B. LAB Goals for 2020