

Minutes of the Jones Library Board of Trustees

June 23, 2009, at 2:00 p.m., Trustees' Room Jones Library

Present: President Patricia Holland, Louis Greenbaum, Chris Hoffmann, Sarah McKee, and Carol Gray.

Absent: Kathy Wang

Also Present: Bonnie Isman, Library Director; Tina Swift, Library Staff ; David Farnham from Wells Fargo Investments ; Jill Aeronvois from PIMCO.

President Patricia Holland reviewed the presentation of information for tonight's Town Meeting. This document urged the Select Board to rescind the capital project building painting request and use CAPAC funds for the repair instead.

Mr. Greenbaum expressed concern, "... that we are besmirching our great name," by touching the capital project money in the amount of \$55,000. He noted that the Finance Committee is against this strategy of giving back previously voted capital project funding. Mr. Greenbaum said that, '... the reality is that people want to know how many people have been laid off at the Library' because other departments have discussed massive layoffs. He said that since it was well known that the Library would not lose their certification, the "doom and gloom" is not credible.

The Finance Committee voted 5 to 0 to NOT reduce any capital funding projects, according to Mr. Musante's memo. Ms. Gray feels the Board of Trustees is taking the initiative by requesting a switch from capital planning to CPAC. Ms. Gray refers to an email from Town Counsel which she did not have with her; he said that this switch could be made tonight – not at a special Town Meeting.

Mr. Hoffmann said there is no support for this strategy with close to half of Town Meeting. He said the Historical Commission and the Finance Committee are dead set against this shift. He stated that the Library has a real image problem in Town Meeting by asking for more money and seemingly making few cuts. He feels obligated to put forth the MAR (Municipal Appropriation Requirement) budget, knowing that we will not lose certification. He feels the long term implications are not good.

Ms. Holland suggested the status quo, leaving \$55,000 with the voted capital projects plan. Ms. Gray wants to ask for \$35,000 more than the current budget plan to cover hours.

David Farnham from Wells Fargo Advisors joined the meeting and spoke about the fixed income piece and how well Vanguard performed vs. other funds. In the fixed income portfolio (~\$2.5 Million), he measured 5/1/06 to 6/1/09 Alliance Global Investors which uses Pimco as its management company vs Franklin Templeton vs. Vanguard. After David reviewed the Vanguard strategy, he called on Jill to explain Pimco. Their strategy is flexible and broad, a "core bond holding" which maintains a high quality conservative posture at all times. Pimco is based in Newport Beach, CA with \$760 Billion in assets. Bill Gross, Chief Investment Officer 'invented' income plus capital appreciation return formula. He has a

team of 367 investment analysts behind him. Chris Hoffman asked what about ratio of our portfolio? Farnham said he would just substitute a better 40% for the present 40%. There would be no sales charge if the Library invests at least \$1,000,000 in a fund. Is 100% in domestic bonds.

Presentation by Bob Bonner of Franklin-Templeton Fund.

Farnham looks for the best of class. He compared the Jones bond portfolio with both PIMCO Total Return and with the Templeton Global Bond Fund.

Bonner: Company: 3 organizations: Franklin; Templeton; and Mutual Series (stocks). 450 Million under management. Bonner covers Mass, RI, part of CT.

T. Global Bond Fund is designed to diversify away from U.S. Firm thinks (like PIMCO) that inflation will return. Moving away from U.S. holdings would hedge against inflation. Is a world-wide fund with local offices worldwide – specializes in government debt (not corporate) and currencies. Hedges the currencies. Many countries also pay decent income. Takes geopolitical risk into account.

Important: this fund moves usually counter to U.S. stock and bond funds.

Gray: socially-responsible? Bonner: government debt and currencies – not corporate, so not to worry about Coca Cola. He can also ask. Are in Sweden, France, Myanmar.

Templeton had a 9.56% return starting 4/30/06. All earnings listed are net of fees.

Chris Hoffman said one reason for 60/40 ratio was to rebalance when they got out of whack. How would it work if we went into these bond funds? Farnham –

Carol Gray asked, “Is 60/40 a wise place for a non-profit such as we?” Farnham thinks that we could increase Vanguard in effect rebalances by what it chooses to liquidate when we need money. Farnham said if he were a retiree dependent on endowment for lifetime income and capital preservation, he would not be at 60/40. This exposes you to a series of bubbles, creating volatility with the only money we have. Bonner said right now there’s a disconnect because in this cycle, you can get an equity-like return with bonds right now. This is a managed fund. Louis Greenbaum stated, ‘We’re constantly expending on behalf of citizens of this Town.’ Farnham would not take on the 60/40 issue at this point. There are a gazillion opinions as to what the ratio of fixed income to equities should be. So Mr. Farnham was looking for a better 40% out there than what we now have.

Greenbaum – how would we choose between these funds? Mr. Farnham said, ‘Split them, keeping the majority with PIMCO, domestic. Carol Gray asked about the trigger the Trustees had wanted. Mr. Farnham noted, ‘You have an investment policy giving a range of ratios. There’s no sales charge if you invest \$1 million in a fund.’

Ms. Isman noted that Vanguard splits into short, medium, and long term funds. Templeton seems to be medium. Mr. Bonner replied that it is designed to be conservative, high-quality. Mr. Greenbaum thinks that there’s a prudent mix in PIMCO between medium and short term. Symbols for both funds are:

When we Google the Franklin- Templeton fund, look at News. There's a lot of it. Mr. Bonner is located in Scituate.

**Motion:** To establish an investment committee, and that its meetings be noticed so that if more than 3 trustees can attend, they may do so. Motion by Carol Gray. Second by Louis Greenbaum. **Vote:** 5 ayes, one absent (Wang). The Committee will consist of Chris Hoffman, Carol Gray, and Sarah McKee.

Ms. Isman suggested drafting a charge for the Investment Committee? Good idea. No action taken.

**Motion:** That we have a Parade Committee. Motion by Sarah McKee. Second by Patricia Holland.

**Vote:** 5 ayes, one absent. The members of the Parade Committee will be Ms. Holland, Ms. Gray, and Ms. McKee.

Preparation for the Select Board meeting at 6 p.m. today:

Carol Gray moves that we proceed with the proposal to get alternate CPAC funding and that we pull out \$35,000. She withdraws her motion before I was able to get it all down.

Louis Greenbaum prefers to explain our situation very clearly, what the cuts would mean to us, and our unwillingness to accept the budget. He fears consequences for library in future if we turn down \$55,000. He wants unity regarding this strategy. Ms. Isman wants to use the certain money and explain to Town Meeting that we've been trying to work a swap of money with CPAC. We want to come back to special Town Meeting in July with a more solid proposal. She is concerned that Town Meeting will be surprised, and people don't like surprises.

**Motion:** That we do not reopen the CPAC budget that has already been voted on, and that we wait to do so until a Special Town Meeting is called. Motion by Chris Hoffmann. Second by Louis Greenbaum. Discussion: Ms. Gray stated that the 5 -1 vote from CPAC was very good since CPAC votes are usually closer. **Vote:** 2 ayes, 3 Nays. Motion fails.

Ms. Isman stated, 'We must definitely thank all the boards that have helped us to explore this idea.'

Carol Gray continued, 'We would not give up any of the \$55,000 if we lose. Our job is to advocate for the Library. Also, Town Counsel has said that we can do this in this Town Meeting.' Patricia Holland will move to pull the \$35,000 out of the capital budget and she will mention the creative idea, mentioning the extreme budgetary position in which Library finds itself. She will thank all the boards etc.

The meeting adjourned at 5:16 p.m.

Respectfully submitted,

Sarah McKee, Clerk

