

MINUTES OF THE TRUSTEES MEETING OF THE CINCINNATI SOUTHERN  
RAILWAY TRUST

November 18, 2024

A regular meeting of the Board of Trustees of the Cincinnati Southern Railway (the "Board") was held on Monday November 18, 2024, at 3:00 p.m. at the Cincinnati Parks Administration Office at 950 Eden Park Drive, Cincinnati Ohio. Paul Muething, Mark Mallory, and Paul Sylvester were present in person. Ashley Pannell, City of Cincinnati Law Department Supervising Attorney – General Counsel Complex Contracts; Holly Schnapf, Financial and Administrative Director of Cincinnati Southern Railway; Allen Zaring, and Tim Bayer, representatives from UBS Financial Services, Inc. ("UBS"); and Christine Noone, representative from the City of Cincinnati's Finance Department. Eric Goia, Managing Director – Wealth Management at UBS; Chief Investment Officer of UBS Americas, Solita Marcelli; and Senior US Equity Strategist for UBS, Nadia Lovell were present virtually for the UBS presentation only.

MISCELLANEOUS ADMINISTRATION

Mr. Mallory moved to approve the minutes from the Sept. 17, 2024, Regular Meeting, and Mr. Sylvester seconded. The motion passed unanimously.

UBS PRESENTATION OF THE TRUST FUND PERFORMANCE

Mr. Bayer reported that the anticipated market volatility in association with the presidential election did, in fact, occur, leading to a drop in the portfolio value in October 2024 of 1.25%. The bond market was the primary driver of the decrease. It should be noted that the CSRT portfolio fared better than the overall bond market.

UBS is continuing to phase in the portfolio as outlined in the initial plan. As of the date of this meeting, the equity portion of the portfolio allocations were 1.15% in cash, 54.39% in fixed income, 44.46 in publicly traded equities. UBS remains happy with the diversification on the equity side and the quality of the fixed income that comprise the portfolio. Despite October volatility, the portfolio is still up 4.43% since inception. The portfolio value as of November 15, 2024, was \$1,670,835,555.41.

UBS has completed nine out of 10 equity phase-ins with the 9<sup>th</sup> occurring on Nov. 15, 2024. The final phase-in will occur on December 15, 2024.

Expected Cash Flows: Mr. Zaring added that from Nov. 18, 2024, to the end of the City's fiscal year (June 30, 2025), they expect \$31.5 MM in income from bonds and from equity dividends in the portfolio. The income forecast total since March 15, 2024 is \$57.973MM, so this will exceed the distribution amount budgeted last meeting with just the income. UBS is pleased with the projections and conservative positioning.

Mr. Goia introduced Ms. Barcelli and Ms. Lovell. Ms. Marcelli presented the 2025 macro-economic outlook. She shared that the market has shown impressive resilience over the last year, and UBS is optimistic about 2025. They anticipate growth slowing but staying healthy, and don't see a recession in sight. Consumer spending remains strong because the labor market is still solid, and people typically only change their spending habits when they are worried about job security.

The biggest unknown is the economic impact of the new administration and its policies. Uncertainty leads to volatility in the market. However, it is unlikely that sweeping changes promised during the campaign will come to fruition as proposed. Checks and balances will likely deter massive corporate tax cuts, for example. Tariffs could be a headwind, but UBS expects more negotiations and legal challenges impacting the extent to which they are implemented. They expect the Federal Reserve to cut rates conservatively over the year.

The bond market will trend forward over the coming year with yields staying high in the short term. They foresee a strong year for US stocks. Historically, the combination of solid growth and rate cuts has been powerful. Beyond day-to-day fluctuations, they anticipate a good year for portfolios like the CSR Trust Fund.

Mr. Mallory asked if, given the outlook, there are any adjustments we need to make to the last phase-in. Ms. Lovell responded that they do not advise any changes. The allocation in the portfolio still makes sense. They will monitor things closely for potential impacts of future policies, particularly tariffs.

Mr. Goia added that the diversified allocation between bonds and equity allows the portfolio to weather ups and downs. Ms. Lovell stated that the portfolio allocations are constantly being evaluated and assessed to ensure that they are still strong as the market changes. Mr. Sylvester commented that it is comforting that we are still on target for achieving or exceeding the 5.5% growth goal for overall earnings.

Mr. Bayer added that UBS will constantly evaluate if 50% bonds and 50% stocks is still the best allocation of funds. He also added that they maintain a 2 to 1 overweight of domestic stocks over international. Domestic could drift higher in reaction to Trump administration economic policy. They may also re-evaluate Chinese investments, in response to Trump administration policies. This could lead to modest tweaks to the investment strategy in the first quarter.

Mr. Mallory noted that he feels confident that the CSR Trust Fund is **being managed** extremely well and that he remains impressed by the reports and grateful for UBS's work.

## TREASURY REPORT

### INVOICES

Mr. Sylvester summarized invoices for the Board's approval. He presented an invoice from Squire Patton Boggs (US) LLP for legal services for July-September totaling \$25,575.40, and a US Digital invoice for website support for \$262.70. Mr. Mallory moved to approve payment of the invoices, and Mr. Muething seconded. Unanimously approved.

## AUDIT CONSIDERATIONS

Mr. Sylvester then discussed a CSRT audit and fiscal year considerations. The Ferguson Act as amended requires an annual audit. The CSRT operates with a fiscal year ending December 31<sup>st</sup>. However, the City of Cincinnati has changed its fiscal year end to June 30. An audit of the Cincinnati Southern Railway Trust has occurred as a portion of the City of Cincinnati's audit, performed by Clark, Schaefer Hackett. Because of the size of the trust fund, it is a separate component on that audit.

Because of the Ferguson Act requirement for an end-of-year audit, Mr. Sylvester reached out to Clark Schaeffer Hackett for an estimate of the cost of a separate audit at the end of the year (in addition to the City's audit) and learned that the fee would range from \$30,000-35,000. The reason for the audit per the Ferguson Act is to provide a report to the city, and assurances that proper controls and fiscal responsibility have been made. This has already occurred as part of the City audit.

Mr. Sylvester noted two potential courses of action – working with the State of Ohio legislature to amend the Ferguson Act regarding the timing of the audit; or request a waiver from the City of Cincinnati of the December timeframe and acknowledge that the requirement has already been met. Mr. Mallory recommended asking for a waiver from the City and added that their waiver will fulfill state law requirements. Ms. Noone will take the request back to the City for consideration.

## DATE OF ANNUAL CERTIFICATION OF CSR TRUST VALUATION

Mr. Sylvester noted that state law required us to certify the amount of disbursement to the City of Cincinnati in the September prior to the start of disbursement in the City's new fiscal year (July 1). Moving forward, it also makes sense to establish a date to certify the balance of the Trust annually, assuring that the balance fulfills the requirement that the

fund has not deteriorated by 25% (which would halt disbursements). He suggested June 30 be used as the date of this certification, with the starting point being the balance on June 30, 2024. Then every June 30 moving forward, UBS could provide a document certifying this at the first meeting following June 30. Mr. Zaring noted that the balance as of June 30, 2024, was \$1.626B. So, the balance on June 30, 2025, would need to be above \$1.2195B to make the next disbursement. Mr. Muething suggested that the documentation certifying the balance to the City each June 30 should include the amount as well as the percentage growth/loss since the previous year.

Ms. Pannell asked for clarification regarding whether the percentage noted should be based on the principal or the total amount (principle and earnings) from the last year. While this isn't specifically noted in the legislation, the board discussed and determined that the spirit of the law was that there could not be more than a 25% drop in the total valuation. Mr. Muething added that the way the law is written, if the certification says you are not lower than 75%, you can make disbursements in the next 12 months regardless of the performance of the portfolio during those 12 months. If the next year when it is time to certify, you fail, you can't make disbursements for the next 12 months regardless of if the portfolio bounces back. You must wait to pass the test at the time of certification. Mr. Sylvester noted that it is an annual calculation not a continuous calculation. Mr. Muething added that if the trust did not meet the requirement for disbursement at the time of certification, but bounced back later in the year, payment during the following fiscal year could be front loaded, so that the city received a larger portion of the total annual disbursement in the first quarter of that following year.

#### DIRECTORS AND OFFICERS INSURANCE UPDATE

Mr. Sylvester noted that after the September meeting, Ms. Schnapf requested additional bids for the renewal of Directors and Officers Insurance. Zurich had charged around \$8000 in the past. Gallagher Risk Management sourced Hanover Insurance, and they have given us a bid for a 3-year commitment at \$7,578 annually. There is no invoice yet, but Mr. Sylvester asked for a motion to approve payment of this invoice when it arrives. Mr. Mallory moved to approve. Mr. Muething seconded. It was approved unanimously.

CINCINNATI SOUTHERN RAILWAY TRUST FICTITIOUS NAME APPLICATION

Mr. Muething reported that he has not heard back from the Division of Financial Institutions of the Department of Commerce regarding the status of the application to use the name Cincinnati Southern Railway Trust. He will follow up and ask the governor's office to make a call if he does not hear back in the next two weeks. Mr. Sylvester noticed that in the City's report, the Trust is still being listed as Cincinnati Southern Railway and requested that this be changed to Cincinnati Southern Railway Trust moving forward. Mr. Muething noted that throughout the Ferguson Act, it refers to "trust fund" several times, so if it is not acceptable legally to use "Cincinnati Southern Railway Trust", "Cincinnati Railway Trust Fund" would be an acceptable alternative.

MISCELLANEOUS ADMINISTRATION

The board discussed proposed meeting dates for 2025 and decided on **February 11, May 20, Sept 16, and Nov. 17, 2025** (note: 11/17 meeting will be at 2pm instead of 3 pm). All will take place at the Parks Administration Building.

BRANDING/WEBSITE DEVELOPMENT

Ms. Schnapf reported on results from the Website and Branding RFP. She noted that six companies submitted proposals, which were evaluated based on experience, cost,


approach, similar projects, and timeline. Based on this evaluation, she suggested entering negotiations with the company, nez&pez. The board packet included their statement of work and master service agreement for review. Ms. Schnapf recommended that should their be no material changes to this contract, the board moves forward with the forthcoming associated invoice. Mr. Muething asked if the quote was consistent with other proposals. Ms. Schnapf stated that their quote was the lowest overall quote from the groups that were qualified in all areas of evaluation. Mr. Sylvester motioned to approve payment. Mr. Mallory seconded. Unanimously approved.

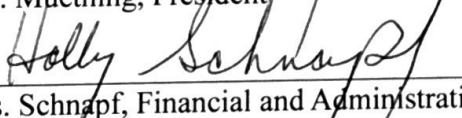
ADDITIONAL REMARKS

Mr. Mallory reflected on how wonderful it was to have Amy Murray on the Board for the last five years. Mr. Muething added that she will be missed (now that her term as a trustee has ended) and that she made a significant impact. All the trustees noted the integral role she played in identifying and evaluating Cincinnati Southern Railway Trust investment partners. She also sourced outside experts to assist in the evaluation. Her passion and leadership were instrumental in the success of the board's efforts during her tenure.

ADJOURN

Mr. Sylvester moved to adjourn. Mr. Mallory seconded. Unanimously approved.

  
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Mr. Muething, President

  
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Ms. Schnapf, Financial and Administrative Director