

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON

Agenda for Trustees Finance and Audit Committee Meeting

January 6, 2011

Johnson Trustees Room

8am to 9am

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BOSTON, MA

- **Welcome/Introductions**
Chairman Evelyn Arana-Ortiz
- **Review and Approval of Minutes from October 28, 2010**
Chairman Evelyn Arana-Ortiz
- **Proposed Award of Contract for Retrospective Conversion Services**
Edward J. Maheigan, Budget and Procurement Manager
- **BPL Fiscal Updates**
Sean Nelson, Chief Financial Officer
 - FY12 Boston Public Library Operating Budget
 - Form 990 (Tax Return)
 - AR Module
 - Management Letter
- **Approved Schedule for 2011**
Chairman Evelyn Arana-Ortiz
 - Thursday, Feb 24, 2011
 - Thursday, Mar 24, 2011
 - Thursday, Apr 28, 2011
- **Other Business**
Chairman, Evelyn Arana-Ortiz
- **Adjournment**
Chairman, Evelyn Arana-Ortiz

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON

Minutes of Meeting
Trustees Finance & Audit Committee

RECEIVED
CITY CLERK'S OFFICE
Thursday, October 28, 2010
Johnson Trustees Room
BOSTON, MA

DRAFT

A meeting of the *Trustees Finance and Audit Committee* was held at the Boston Public Library, Trustees Room, Johnson Building, on Thursday, August 26, 2010 at 8:00 a.m.

Present at the meeting were: Chairman Evelyn Arana-Ortiz; Trustee Donna M. DePrisco; Ray Sullivan, Board of Directors, Boston Public Library Foundation; Ruth Kowal, Director, Administration & Finance; Sean Nelson, Chief Financial Officer; Ed Maheigan, Budget and Procurement Manager; Sean Monahan, Supervisor of Accounting; Emily Tenney, Programming & Events Manager; Tom Blake, Digital Services Manager; and Jamie McGlone, Clerk of the Board. The Chairman noted that she received apologies from Trustee Zamawa Arenas and Trustee Byron Rushing who were unable to attend due to prior commitments.

Also attending were: Richard DePiano, City of Boston, Treasury Department; Chris Klapinsky and Michael Black, New England Pension Consultants, LLC.

Chairman Evelyn Arana-Ortiz presiding.

The Chairman reviewed the agenda and addressed the first item on the order of business pertaining to the review and approval of Minutes for the Trustees Finance and Audit Committee Meeting held on September 23, 2010. Following discussion, on a motion duly made and seconded, the Minutes of the Trustees Finance and Audit Committee Meeting held on September 23, 2010 were approved.

Recalling background information at the last Trustees Meeting on September 14, 2010, Chairman Arana-Ortiz reported the Trustees voted approval of the revision to the "Trustees of the Public Library of the City of Boston, Statement of Investment Policy & Objectives, May 2002, Investment Guidelines" to include "*Investments in Index or Mutual Funds that derive over 15% of their revenue for tobacco, alcohol, and gambling are prohibited*" as recommended by the Trustees Finance and Audit Committee.

The Chairman also noted that there was some discussion at the Trustees Meeting regarding the need for additional information on moving to index funds that may allow significant savings on investment management fees. Further, the Board Chairman asked that New England Pension Consultants (NEPC) be invited to the next Board meeting for a presentation on the benefits between actively managed funds vs. index funds.

The representatives from NEPC provided an overview pertaining to the highlights of an Asset Allocation Review outlined in the report distributed to the committee entitled

To that end, the NEPC representatives reviewed the outline of the Asset Allocation Review that would be presented to the Board at the next meeting. NEPC underscored that this policy change should enable the Committee to implement Steps #1-3 of the recommended multi-step process for adding further diversification to the Fund as follows:

- Step #1 – add a Global Asset Allocation manager
- Step #2 – add an International Equity manager
- Step #3 – add an Absolute Return manager to the portfolio

In general, NEPC recommends reducing overall equity exposure to create a better balance of risks across asset classes: Global Asset Allocation (Step #1); Absolute Return (Step #3); and Diversifying types of equity risk by adding International Equities (Step #2).

The consultants observed the current market environment offers several opportunities to earn outsized returns, the most compelling from a risk/return standpoint being credit opportunities. Global Asset Allocation managers are able to make tactical allocations to take advantage of market dislocations.

In summary, NEPC believe that by executing Steps #1-3, the Boston Public Library can achieve: more portfolio diversification; less dependence on the equity markets for return generation; and better risk-adjusted returns. The proposed timeline for implementing Steps #1-3 are as follows:

- Step #1 – add a Global Asset Allocation manager
 - November 2010: NEPC conducts search, narrows down the list to highest conviction manager(s) and make a recommendation to the Committee, including proposed cash flow shifts
- Step #2 – add an International Equity manager
 - Proposed January 2011 search and implementation
- Step #3 – add an Absolute Return manager
 - Proposed February 2011 search and implementation

NEPC continues to recommend that the BPL seek ways to diversify its portfolio. The current asset allocation targets are: 60% Equities/ 40% Fixed Income. As a result of this target, the portfolio is significantly dependant on the equity markets for returns that are exposed to the inherent volatility in equities.

As such, NEPC recommends implementing a 10% target to Global Asset Allocation in order to introduce a number of diversifying asset classes into the portfolio. The long-term goal of this recommendation is to decrease expected volatility without significantly impacting expected returns.

The committee asked the NEPC representatives for an analysis of what the investment portfolio would have performed over a reasonable period of time if the library had the same portfolio as the City of Boston.

Ms. Emily Tenney, Programming and Events Manager, reviewed background information on a on a proposed fee schedule for community room use at the Central Library for consideration at the next Trustees Meeting.

Ms. Tenney reported the Boston Public Library, Central Library currently offers non-profit organizations use of community room space free of charge. The Meeting Room Use Policy and Procedures outline parameters for such use, and the scheduling is overseen by the Programming and Events Department.

The library proposes that starting January 1, 2011, a fee be assessed to organizations for use of meeting room space at the Boston Public Library, Central Library. This has become common practice among libraries across the nation and the proposed fees are comparable to those found at Seattle Public Library, Los Angeles Public Library, and Chicago Public Library.

Following discussion, on a motion duly made and seconded, the members of the Trustees Finance and Audit Committee voted to approve and recommend the schedule of proposed fees for community room use at the Central Library for adoption at the next Trustees Meeting.

Mr. Tom Blake, Digital Services Manager, reviewed background information on a proposed fee schedule for imaging services for consideration at the next Trustees Meeting. Mr. Blake reported the Boston Public Library has two in-house, state-of-the-art digitization labs focused on converting library collections into digital files so they may be accessed freely online.

In addition to this mission, Digital Services can fulfill patron requests for certain items to be digitized "on-demand." This service, while corollary to the primary mission of the department, is highly valued by the public as electronic reproduction of research materials become preferable to paper photocopies or prints.

The proposed fees are based on the type of material to be digitized and its estimated, correlated cost to the BPL for staff time and overhead. Furthermore, prices for similar services were examined at three peer institutions, including the New York Public Library, Library of Congress, Los Angeles Public Library, and three commercial vendors. In all cases, the library's proposed prices are generally in alignment.

Mr. Blake noted the proposed fee schedule for imaging services apply to original material handling, studio capture, and post-production editing up to the creation and delivery of the final digital file.

Following discussion, on a motion duly made and seconded, the members of the Trustees Finance and Audit Committee voted to approve and recommend the schedule of proposed fees imaging services for adoption at the next Trustees Meeting.

Ms. Ruth Kowal, Director, Administration & Finance, reviewed background information on the proposed revised *Boston Public Library* Private Event Policy for consideration at the next Trustees Meeting, which the City of Boston Law Department approved the edited policy.

Ms. Kowal noted changes to the *Private Event Policy* (see marked up copy below) include: removal of the prohibition on fundraising events by organizations other than those benefiting the Boston Public Library. By removing the language in the current version of the policy that prohibits such events, the revised policy will permit organizations to hold fundraising events to benefit their own organization.

In addition, clarification of language regarding use of the building with regard to political activity and campaign fundraising (prohibited under the MA General Laws) is included along with separation of the policy language from the event procedures. The current policy and procedures are one document, and separating them clarifies their purposes and facilitates updating.

Boston Public Library Private Event Policy
Approved: January 16, 2007

POLICY

The Board of Trustees of the Public Library of the City of Boston, or its designee, approves all event usage of the Boston Public Library. The Trustees may determine the number of events to be operated simultaneously and does not guarantee sole use of the Central Library. Library programs and events take precedence over external group events

~~No on-site fund-raising events are permitted, except to the benefit of the Boston Public Library.~~

~~No political campaigning or religious functions are is permitted.~~

No political activity or campaign fundraising is permitted. Wedding ceremonies performed in conjunction with a reception are permitted.

All organizations or groups shall indemnify, defend and hold harmless the Boston Public Library and the City of Boston, its officers, agents and employees from and against any and all claims, suits, actions of any kind, arising and resulting and accruing from any negligent act, omission or error of the organization or group resulting in or relating to personal injuries, property damage, or any other claim arising from the organization/group's event or use of the Library's event spaces.

Following discussion, on a motion duly made and seconded, the members of the Trustees Finance and Audit Committee voted to approve and recommend the proposed revised *Boston Public Library* Private Event Policy for adoption at the next Trustees Meeting.

The Chief Financial Officer provided an update on the progress of the new Accounts Receivable module under consideration by the library in collaboration with the

City of Boston, which the CFO anticipates signing the agreement later this week and is slated for implementation January 2011.

Mr. Edward D. Maheigan, Budget and Procurement Manager, provided background information on the proposed award of contract for Johnson Building emergency water abatement and cleaning services pertaining to the BPL flood on August 5, 2010.

Following discussion, on a motion duly made and seconded, the members of the Trustees Finance and Audit Committee voted to recommend approval to the Board at the next Trustees Meeting as follows:

VOTED: “to authorize President Amy E. Ryan, or designee, to enter into a contract with Merbert, dba Servpro, 67 Smith Place # 5, Cambridge, MA 02138 for emergency water abatement and cleaning services, at a total cost not to exceed nineteen thousand seven hundred forty seven dollars and seventy five cents (\$19,747.75) required as part of the Boston Public Library flood damage clean-up on August 5, 2010”

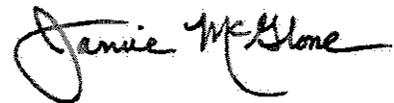
Mr. Maheigan shared background information on the Request for Proposal for a Retrospective Conversion Project for the Boston Public Library that will be presented for discussion and consideration at the next Trustees Finance & Audit Committee meeting.

The Chairman reviewed the approved Schedule of Trustees Finance and Audit Committee Meetings for 2010 and 2011 as follows:

- Thursday, Jan 6, 2011
- Thursday, Feb 24, 2011
- Thursday, Mar 24, 2011
- Thursday, Apr 28, 2011

There being no other business, the Trustees Finance and Audit Committee meeting adjourned at 9:30 a.m.

Respectfully submitted,



Jamie McGlone
Clerk of the Board