

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON

**Meeting of the Trustees Finance and Audit Committee
Thursday, September 11, 2014
Commonwealth Salon
Central Library, 700 Boylston Street, Boston, MA 02116**

MINUTES

A meeting of the Trustees Finance and Audit Committee was held on Tuesday, September 11, 2014 at 8:00 a.m. at the Boston Public Library, Central Library, Commonwealth Salon, 700 Boylston Street, Boston, MA 02116.

Present at the meeting were Committee Chair Evelyn Arana-Ortiz and Committee members Representative Byron Rushing, and John Hailer. Boston Public Library Trustee Jeffrey B. Rudman participated via telephone. Absent from the meeting was Committee member Zamawa Arenas.

In attendance were Boston Public Library President, Amy Ryan and BPL staff members: David Leonard, Director of Administration and Technology, Ellen Donaghey, Chief Financial Officer, Edward Maheigan, Budget and Procurement Manager, Sean Monahan, Supervisor of Accounting, and Deborah Kirrane, Clerk of the Board. Also present were representatives from New England Pension Consultants, BatteryMarch Financial Management, and Segall Bryant Hamill.

Committee Chair, Evelyn Arana-Ortiz called the meeting to order at 8:05 a.m. To accommodate for timing, Ms. Arana-Ortiz elected to begin the meeting with Agenda Item No. 4: Request for Delegation of Approval of Contracts, and asked Ms. Donaghey to outline the contracts listed. Ms. Donaghey explained the Mattapan Branch Library reupholstering project.

The “Book Birds Project” contract calls for the design, fabrication, and installation of the suspended sculptural element for the renovated Children’s Library in the Johnson building. The cost of the contract is covered by the capital budget.

The next three contract items: replacement of two Johnson Building sewer ejection pumps, boiler replacement at North End branch, and boiler replacement at West Roxbury branch, are being performed with critical repair funding received by the BPL from the City of Boston. The Johnson Building Sewer Ejection pumps are not covered under the Johnson Renovation and boiler replacements at North End and West End branches are necessary as the pumps are older and due to be replaced.

The last contract, is the Johnson Building Renovation Nonfiction Inventory Project which will categorize and provide updated records for all materials in the collection prior to its moving back

into the Johnson Building. The BPL will begin with the nonfiction collection and expects to move forward with other collections in subsequent years.

All contract bid items will be presented to Trustees at the September 16, 2014 Trustee Meeting, for vote to delegate approval of the contracts to the Finance and Audit Committee. The vote to approve will then be presented to the Finance and Audit Committee at the October 16, 2014 meeting.

On motion made and duly seconded, it was:

VOTED: that, the Trustees Finance and Audit Committee request the Trustees of the Public Library of the City of Boston delegate approval of the contracts reviewed to the Trustees Finance and Audit Committee.

The next agenda item called for the recommendation of approval by the Board of Trustees of the Boston Public Library's Financial Statements for FY2014. Prior to the vote, Matthew S. Hunt, CPA and Principal of CliftonLarsonAllen, reviewed for the Committee the BPL Draft Financial Statement for FY14.

Mr. Hunt explained that fieldwork for the audit began on August 5, and that information provided was timely and well-organized. BPL staff and management were responsive to requests and he commended Ellen Donaghey, Sean Monahan, and accounting office staff, for their work. In the auditors' opinion, the audit was "unmodified," the best opinion available. He pointed out that the component of the audit related to the BPL Foundation was based on the reporting of the Foundation's auditors. Mr. Hunt briefly reviewed the draft financial statement for FY14, offering highlights and providing page references for same.

Mr. Hailer asked if, going forward, the audit could contain information from prior years so that evaluations could be made and trends could be analyzed. The Committee agreed to a three-year look back and Mr. Hunt agreed to provide this information next year.

Mr. Hunt listed the items needed to complete the audit prior to the City of Boston's deadline: (1) final audit report from Boston Public Library Foundation and representation letter from Foundation auditors accepting responsibility for that audit; (2) investment confirmation from SSgA to be reviewed; (3) IT documentation to be completed as it relates to PeopleSoft program; (4) audit letter from City of Boston Legal Department representing that there are no issues in litigation; and (5) standard representation letter from BPL management.

On a motion made and duly seconded, it was:

VOTED: that, the Trustees Finance and Audit Committee recommend approval by the Trustees of the Public Library of the City of Boston of the Boston Public Library's Financial Statements for the Fiscal Year Ending June 30, 2014.

Ms. Arana-Ortiz reviewed the minutes of the August 6, 2014 meeting of the Trustees Finance and Audit Committee. The Committee approved the minutes and on a motion made and duly seconded, it was:

VOTED: to approve the minutes of the meeting of the Trustees Finance and Audit Committee meeting held on August 6, 2014.

Ms. Donaghey introduced New England Pension Consultant (“NEPC”) representatives for their introduction of Small Cap Portfolio Review Managers, (1) Batterymarch and (2) Segall Bryant. Each manager was given 15 minutes in which to present to the Committee.

Batterymarch representatives Steve Lansendorf , Director of Developing Markets, and Tim Stanton, Director of Marketing and Client Services, described the strengths of their firm: manage almost \$6 million of the BPL portfolio, performance up 2% over benchmarks, and their fund has over-performed the last five years. They described Batterymarch’s merger with QS Investors and assured the Committee that their investment process and senior portfolio managers would remain the same.

Messrs. Lansendorf and Stanton explained QS Investors’ model of outsourcing the operational piece of their business so that investment professionals may remain investment focused. They stated that merging with QS Investors has made them a more stable company, and they are motivated to retain the BPL as a client. They described their bottom up stock selection and their use of a ranking system (1-100) to determine stocks that are sell candidates.

The next manager, Segall Bryant, was introduced. Clark Koertner and Jeff Paulis, partners in the firm, thanked the Committee for the opportunity to present and spoke to how their firm generates consistent success for small cap clients. Segall Bryant is a strong, stable, and growing, Chicago-based firm. Their small cap team manages over \$1.5 billion in assets and has outperformed in seven of the past eight years. Their focus is on ROIC (return on invested income) and it drives their decision making. They described their dashboard as a tool for success, and spoke to their management compensation as based on ROIC results.

Upon the conclusion of their presentation, NEPC highlighted the differences between the managers and pointed to their completely different approaches. Ms. Arana-Ortiz asked that the Committee not rush a decision and further asked that the discussion be placed on the agenda for the October meeting.

The next meeting of the Trustees Finance and Audit committee is scheduled for October 16, 2014 at 8:00 a.m. There being no Other Business, the meeting of the Trustees Finance and Audit Committee adjourned at 9:27 a.m.