

# **TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON**

**Meeting of the Trustees Finance and Audit Committee  
Thursday, September 10, 2015 / 3:30 p.m.  
Trustees Ante Room, McKim Building, Central Library  
700 Boylston Street, Boston, MA 02116**

## **MINUTES**

A meeting of the Boston Public Library Trustees Finance and Audit Committee was held on Thursday, September 10, 2015 at 3:30 p.m. at the Boston Public Library, Central Library, Trustees Ante Room, McKim Building, 700 Boylston Street, Boston, MA 02116.

Present at the meeting were Finance and Audit Committee Chair Evelyn Arana-Ortiz and Committee members Rep. Byron Rushing, Zamawa Arenas, and John Hailer.

Also present were Boston Public Library Staff: Interim President David Leonard, Chief Financial Officer Ellen Donaghey, and Clerk of the Board Deborah Kirrane. Attending from City of Boston was Management Analyst Edward Pesce. CliftonLarsonAllen CPA and Principal, Matthew S. Hunt, was also in attendance.

Ms. Arana-Ortiz, Chair of the Trustees Finance and Audit Committee (“Committee”) presiding, called the meeting to order at 3:35 p.m., and addressed the review and approval of minutes of the June 18, 2015 meeting. She asked that a grammatical error be corrected and, upon motion made and duly seconded, the Minutes of the Trustees Finance and Audit Committee Meeting of June 18, 2015 were approved.

Ms. Arana-Ortiz said she was pleased to see former security personnel working for the new guard and patrol security vendor, G4S. Mr. Leonard confirmed that a majority of the security staff were retained by G4S. .

Ms. Arana-Ortiz introduced Matthew Hunt of CliftonLarsonAllen to review for the Committee, BPL Draft Financial Statements for Fiscal Year Ending June 30, 2015. Mr. Hunt provided an overall summary of the audit. Preliminary audit work began in June 2015 and field work began at the beginning of August 2015. Mr. Hunt thanked BPL for their readiness, information was provided timely, was well organized, management and staff were responsive to all inquiries and, as in years past, the audit process was very smooth. Mr. Hunt commended the efforts of Ellen Donaghey and Sean Monahan and their respective teams.

Mr. Hunt reported that it is CliftonLarsonAllen policy not to include the auditor’s opinion in the draft financial statement, but does not expect anything other than an opinion of “not modified,” the highest opinion available, on the final report.

In describing Financial Highlights of the report, Mr. Hunt pointed to an increase in the General Fund balance from the previous year, and reported the balance in each of the fund categories: Restricted Fund (programs and general trust holdings), Committed Fund (neighborhood outreach and transitional services), Assigned Fund (state aid, enterprise funds – special events, carpeting project, and youth librarian positions.)

Ms. Donaghey provided explanation for an increase in Unassigned Fund balance. Approximately three years ago, BPL’s former CFO set aside proceeds from a number of sources,

including some royalties and one-time revenues, with the intention of asking trustees to approve a trust dedicated to digitization. Because there was a planned use for the fund, it was marked as “restricted.” BPL did not advance this plan and, so, a determination was made that the funds should no longer be listed as restricted. There is currently a planned use for an amount of these funds including the carpet replacement project and continuation of some grant-funded positions. BPL Financial Department is working to provide better long-term, multi-year budgeting in an effort to combine accumulated balances with long term projects.

Mr. Leonard would like to see original earmarking intent revisited and will look for guidance from the trustees. He suggests BPL Leadership recommend whether it best to establish a trust (one type of approach) whereby a specific balance is designated on an annual basis, or whether a one-time direct allocation to specific initiatives should be made.

Mr. Hunt reported that in prior years, the money was listed at “Assigned – Other.” When asked if it should be set up as a trust, Ms. Donaghey reported that there are upcoming multi-year obligations and pointed to the increase in usage as a result of the Central Library renovations, and funding needs for youth librarians.

Mr. Hailer would like to see the money be used as an opportunity to change a strategic dynamic as opposed to merely covering operational charges. He used the example of funding an initiative, the basis for a match program for donors, particularly in curatorial funding. Having the money in a trust would allow greater opportunities for discussion around possibly doing something substantial and long-lasting.

Mr. Leonard stated the amount being discussed represents a strategic investment decision. And, while the basic operational needs of digitization are currently being met, future funding needs could be raised to the level of Trustee review. It was a worthwhile idea and a worthwhile initiative to support funding but, to date, had not made it to Trustee review. Ms. Arenas said it should be viewed in a strategic, long-term way; as it provides a definite funding opportunity. In light of a new Executive Director joining the BPL Foundation and placement of a new BPL President, this would be a worthwhile dialogue to have with BPL management and Trustees.

Ms. Arana-Ortiz would like to provide guidance around certain themes or areas that were highlighted in the assessment. Mr. Rushing would like this placed as an agenda item for the next Finance and Audit Committee meeting. Mr. Hailer stated the fund could be used for (1) curatorial staff, (2) additional programs, (3) educational initiatives in collaboration with the new BPS superintendent, perhaps providing safe havens for afterschool study. And, while it is important to have suggestions that come from staff regarding what affects them and makes their job easier, suggestions would have to “move the dial.” Ms. Arana-Ortiz liked phrasing suggestions around certain themes for a strategic vision. The Committee confirmed that this would be an agenda item for BPL staff and Finance and Audit Committee from which recommendations would then be brought forward. Ms. Arana-Ortiz would like a framework within which BPL leadership would come up with ideas.

Ms. Donaghey asked if these discussions should wait until a new BPL president is in place. Mr. Hailer expressed concern whether the money could be taken away, or funding decreased because this additional balance was being shown. Ms. Donaghey said that it is not trust money so it can be repurposed, but BPL does not anticipate any push back.

Mr. Leonard said that BPL could still proceed with the preparation of options without having to necessarily make a decision whether the money gets spent long-term or short-term and that type of decision may be impacted by the types of ideas that surface to the top of the list as we continue through the process. Ms. Arenas asked that it be kept on the agenda for the next meeting and Mr. Hailer asked that creative concepts and ideas be generated.

Mr. Rushing asked why DeFerrari fund is reported as restricted as opposed to unrestricted. Mr. Monahan reported that pay-for-print is being funded by Deferrari trust and a separate Deferrari trust is managed by a bank designated at the time of the donation. Ms. Donaghey met with the bankers last year and asked them to discuss with the Trustees managing the trust. Once Trustees are initially briefed by New England Pension Consultants, Bank of America/US Trust (Deferrari Fund managers) will subsequently present to the Trustees. Ms. Donaghey explained that the original gift required the funds be managed by a specified bank and so the funds are held separately from the balance of the portfolio. It is purely a difference in where it is to be held.

Mr. Hunt provided trend information for the balances, showing ranges across the past few years. Ms. Arana-Ortiz asked if there was guidance as to what specific fund balances should be. Mr. Hunt replied that not for this type of organization, but that cities and town usually use a guideline whereby unassigned balances are at least 5% of expenses. The Committee could, in the future, address possible guidance or a threshold. Mr. Hunt confirmed that the BPL's unassigned budget balance was at a good amount from last year and that the larger the amount is, the more of a financial cushion is provided thus giving management more flexibility. Mr. Leonard agreed that a healthy unassigned balance is a good thing and should include an assessment of external funding risks.

Intergovernmental revenues showed an increase over the previous year made up of additional funding from Library for the Commonwealth, State Aid, and Metro Boston Library Network. Special Events netted a decrease from the previous year due to portions of Central Library being closed for renovation. Mr. Rushing confirmed that funding through Library for the Commonwealth is an amount recommended by the Governor each year and, through the Ways and Means Committee, the legislature tries to raise the recommended amount.

Mr. Hunt pointed to the increases in the fees and fines for services, consisting of rent and commission monies, and contributions and gifts showed an increase from previous years. He reported an overall increase in revenue from the prior fiscal year.

Mr. Hunt addressed expenses and reported amounts spent on salaries and benefits (a large portion of which is funded through the Library for the Commonwealth grant), books and related materials, program costs – adult, family and children – noting that children's programming doubled in cost from FY15. Ms. Donaghey reported that increases in children's programming were due to the new Johnson space and the input of additional funding, namely, the gift of Elizabeth Schulz, a former BPL children's librarian who donated a large portion of her estate to the BPL. Other expenses include administrative expenses (mostly software licenses/maintenance and supplies), contractual services and utilities which includes security, and equipment, furniture, repairs and maintenance.

Expenses show a general increase trend over the past four years. Salaries and administrative costs have increased, yet equipment, furniture, and maintenance has shown a slight decrease.

Ms. Donaghey confirmed that a report showing year-over-year reporting would be forthcoming. Ms. Arana-Ortiz also asked if Mr. Hunt could provide percentage change for each category increase and decrease.

Mr. Hunt's report next moved to financial highlights summarizing perpetual, restricted, and assigned fund balances. Fluctuations across the funds are attributable to current market fluctuations in investment income.

In reporting revenues attributable to nonmajor governmental funds, Mr. Hunt pointed to consistent revenue from the prior fiscal year in the category of fees and fines for services, and a slight increase in the contributions and gifts category. Investment income has fluctuated a great deal and revenues in the investment income category reflect these fluctuations.

Nonmajor governmental fund expenses include an increase salaries and benefits reflective of Foundation-sponsored positions, books and related materials, programs – including annual Trinity Church donation – administrative costs, contractual services and utilities, and equipment, furniture, and maintenance.

Mr. Hailer concluded that the financial footing of the BPL is very solid at the moment. While the BPL is to be mindful of expenses and the bottom line, it is currently at a good place. Ms. Donaghey and Mr. Leonard agreed. Ms. Donaghey reported that the BPL is reviewing all resources, including trusts, that may be available. She pointed to the increase in donations and new initiatives being put forth by the Foundation. While the Foundation currently funds certain staff positions for years 1, 2, and 3, there is concern over what happens in years 4, 5, and 6. An increase in visitors to Central Library has prompted Mayor Walsh to commit to providing BPL with three additional custodians, but BPL is concerned whether that will be enough. Other concerns include expenses related Library Services department and installation of necessary technology. Current long-term forecasting is underway. Ms. Arenas commented that an increase in foot traffic inevitably leads to an increase in necessary expenses.

Ms. Donaghey reported that a detailed review of trust funds has led to identifying additional resources of funding in specific areas.

Mr. Hailer asked that the Committee consider whether opportunities exist for BPL to generate additional revenues, keeping in line with “Free to All” mandate. He would like the Committee and BPL leadership to explore revenue that may be generated from digital activities.

Ms. Donaghey spoke to the possibility of marketing BPL items via an on-line gift shop, and reported that she will be speaking with a Museum of Fine Arts Boston colleague with experience in this area.

Ms. Arana-Ortiz asked that discussions regarding additional revenue opportunities be placed on the agenda for the next meeting. (Financial opportunities regarding digital store, digital space, etc.)

With no further questions, Ms. Arana-Ortiz asked that the Committee vote to approve the draft financial statement for submission to the City of Boston. Upon motion made and duly seconded, it was

**VOTED: “that the Trustees Finance and Audit Committee approve the Boston Public Library Draft Financial Statement for the Fiscal Year Ending June 30, 2015 for submission to the City of Boston.”**

Ms. Donaghey explained that the final version of the financial statements would be ready for the full Board of Trustees to vote to approve same, at the September 29, 2015 Board of Trustees meeting.

Ms. Donaghey next presented the Report of Gifts, Grants, and Donations to the Boston Public Library. She reported an increase in the amount of donations, particularly bequests and pointed to the Estate of Thomas L. O'Brien Jr., Tempus Bonum, and the Estates of Elizabeth Lee Schulz and Marilyn M. Barron as particularly generous donations.

The Committee set Tuesday, October 27, 2015 at 8:00 a.m. as the next meeting of the Finance and Audit Committee. With no further business the meeting adjourned at 4:25 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Deborah A. Kirrane".

Deborah A. Kirrane  
Clerk of the Board