

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON

**Meeting of the Trustees Finance and Audit Committee
Thursday, October 16, 2014 / 8:00 a.m.
Commonwealth Salon
Central Library, 700 Boylston Street, Boston, MA 02116**

MINUTES

A meeting of the Trustees Finance and Audit Committee was held on Thursday, October 6, 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 Finance and Audit Committee Chair Evelyn Arana-Ortiz and Committee members Representative Byron Rushing, and Zamawa Arenas.

Absent from the meeting was Committee member John Hailer.

Boston Public Library Staff: Director of Administration and Technology David Leonard, Chief Financial Officer Ellen Donaghey, Budget and Procurement Manager Edward Maheigan, and Clerk of the Board Deborah Kirrane. Also present were New England Pension Consultant Representatives Sebastian Grzejka and Michael Gaughan.

Ms. Arana-Ortiz, Chair of the Trustees Finance and Audit Committee ("Committee") presiding.

Ms. Arana-Ortiz called the meeting to order at 8:02 a.m. and further called for review and approval of the minutes of the September 11, 2014 meeting of the Finance and Audit Committee. As Ms. Arenas was absent from the September 11, 2014 meeting, she was unable to participate in a vote to approve the minutes. Thus, a quorum did not exist for this vote and approval of the minutes will be placed on November 12, 2014 meeting agenda.

To accommodate for timing, Ms. Arana-Ortiz elected to begin the meeting with Agenda Item No. IV, New England Pension Consultants LLC Presentation. NEPC representatives, Messrs. Grzejka and Gaughan addressed the Committee and referred members to the report summarizing NEPC's current and future work plan. Mr. Grzejka referred to presentations made by Batterymarch and Segall Bryant & Harris ("Segall Bryant") at the September 11, 2014 Finance and Audit Committee meeting, and spoke of the Batterymarch/QS Investors merger.

Mr. Grzejka suggested the Committee review its fixed income allocation and would like to address this issue at the next meeting.

Ms. Arana-Ortiz asked if the BPL should be considering index funds as an option. Mr. Grzejka explained that index funds make sense at a large cap space, but are inefficient at a small cap space. He explained the differences in fees between funds and confirmed that non-indexed funds are generally less expensive to manage. Ms. Arana-Ortiz asked if the BPL should consider splitting the fixed income. NEPC advises that the BPL have active management at this point (post-2008) to offer greater protection. NEPC will offer an analysis of where the BPL portfolio's exposures are and what the next steps can be at the next meeting.

Rep. Rushing asked NEPC to keep looking at the issue of where the BPL should invest and whether it should have more of an index. NEPC will add a page to the monthly flash report that lists all manager fees, a percentage return, and will show the net value as well.

Mr. Grzejka again reviewed for the Committee the differences between Batterymarch and Segall Bryant. He described Batterymarch/QS Investors as systematic and quantitative in nature, and Segall Bryant to be qualitative in nature, a fundamental bottom-up stock picker who will pick the best stocks with value for the long term. Segall Bryant tries to add value and protect for corrections; they are not beholden to a sector. The fees are identical at 100 basis points for both managers.

The Committee reviewed the long-term history of both managers as of June 30, 2014. Mr. Grzejka stated that NEPC recommends the BPL move from Batterymarch to Segall Bryant. Ms. Arana-Ortiz spoke to her own personal merger experience and referred the Committee to Committee member John Hailer's endorsement of Segall Bryant at the September 11, 2014 meeting. Ms. Arenas asked if the Committee makes a recommendation to the Trustees or if the Committee votes to change investment managers. Ms. Arana-Ortiz said she thought the Committee voted and reported any actions taken to the Board of Trustees.

Rep. Rushing asked if the indexing is a separate question, and Ms. Arana-Ortiz asked if the Committee could see data to support NEPC's recommendation of no indexing. NEPC will look at the last ten years of data and see where managers have added value and have not added value. He will provide this data to the Committee at the next meeting.

Ms. Arenas asked why the indexing decision was relevant to switching managers. Ms. Arana-Ortiz replied that it provides another set of data for comparison, and asked NEPC for data to support their recommendation. Mr. Grzejka explained that the index fund is the benchmark and the information sought is contained in the presentation materials.

The Committee decided that fixed income considerations would be reviewed at the next meeting.

NEPC next recommended that some of core bonds should be moved to a diversified manager and recommended managers would be reported at the next meeting. Mr. Grzejka recommended moving bonds to unconstrained bonds. Currently the BPL holds US core bonds, and by adding an unconstrained or diversified income manager, the manager would have more "levers to pull" and would not have to rely on only one sector to perform. NEPC will address this in more detail at the next meeting.

Mr. Grzejka referred to the September Flash Report for review. The flash reports will be sent to the BPL monthly. NEPC confirmed their attendance at the next meeting prior to leaving.

Rep. Rushing asked the Committee Chair if she would recommend that the Committee make a decision on index or small cap prior to making a decision on a new manager. Ms. Arana-Ortiz responded that no, her question to NEPC was whether the Committee should consider index fund data as part of the data, but given that the data is already here, it would not preclude the Committee from making a decision now.

Ms. Arana-Ortiz recapped the decision-making process. The first decision was whether to retain Batterymarch/QS Investors. If no longer retained, where are the funds to go? NEPC is recommending Segall Bryant. The second decision concerns fixed income, and more information will be presented at the next meeting concerning that decision.

Ms. Arana-Ortiz next read an email she received from Trustee Jeff Rudman suggesting that the Committee meet with Highvista, a non-profit financial advisor and endowment manager. Rep. Rushing stated that if the Committee were to meet with Highvista, NEPC should be at the meeting, given that NEPC is the BPL's investment advisor. Ms. Arenas would not support

Highvista presenting advice to the Committee without going through the proper channels. She asked that the Committee focus its attention on the current agenda – which is NEPC’s recommendation – and if, as a result of that consideration a decision is made to change managers, that’s a decision that the Committee makes in the meeting. Ms. Arana-Ortiz agreed with Ms. Arenas and will respond to the email by stating that NEPC is the BPL’s advisor and if at a point in time the Committee meets to consider another advisor, that that would be the appropriate time for Highvista to be introduced. She further stated that at the next meeting a decision could be made whether to invite Highvista to meet with the Finance and Audit Committee or not. She would like to see more specific information about Highvista before deciding whether to invite them to a meeting.

Rep. Rushing asked the Committee if a decision on indexing needed to be made prior to a decision on changing managers. Ms. Arana-Ortiz replied no, as the indexing data is in the material presented by NEPC. She reiterated that changing to Segall Bryant is what NEPC recommended, what Committee member John Hailer recommended and, personally, the decision for her.

Rep. Rushing and Ms. Arenas indicated that they would like to change to Segall Bryant. Rep. Rushing stated that the Committee is betting the merger will have an adverse effect on Batterymarch and, based on that, he is willing to change. He stressed the importance of stability of the funds and the chance of possibly not having stability is a good enough reason for him to select change. Ms. Arenas agreed.

Rep. Rushing asked if there would be instability in making the change, and that matter should be addressed with NEPC at the next meeting. He further stated that switching investment managers does not stop the Committee from continuing to look at index funds. Ms. Arana-Ortiz stated she would like NEPC to clarify their position on large cap and fixed income and will ask them to do the same at the next meeting. Ms. Arenas agreed.

A motion to award management of Small Cap Portfolio to Segall Bryant & Hamill, LLP, 10 South Wacker Drive, Chicago, IL 60601 was duly made and seconded, and a unanimous vote to award same was made.

VOTED: that, the Trustees Finance and Audit Committee award management of Small Cap Portfolio to Segall Bryant & Hamill, LLP, 10 South Wacker Drive, Chicago, IL 60601.

The Committee next reviewed five contracts to be awarded. The first contract is for Refurbishing Furniture at Mattapan Branch Library. Ms. Donaghey reported that one bid was received from Workplace Resource LTD, for slightly less than \$30,000. She explained that the BPL worked with the original vendor of the furniture and the vendor handling furniture for the Johnson Building renovation, and that Workplace Resources LTD was being recommended to the Committee.

The second contract is for Boiler Replacement at the North End branch library. Ms. Donaghey stated four bids were received, two of the bids were unresponsive, and the lowest responsive bid, Enterprise Equipment Co., Inc., had been selected.

Rep. Rushing asked that Ms. Donaghey indicate whether the BPL has worked with the vendors before. Ms. Donaghey confirmed that the BPL had worked with Workplace Resources in the past, but has not dealt with Enterprise Equipment Co., Inc. James Meade, BPL Superintendent of Facilities and Johnson renovation contractors served as referrals for Enterprise Equipment.

Mr. Leonard added that the BPL has experience with Enterprise Equipment as a sub-contractor on work performed at BPL facilities.

Ms. Donaghey outlined the contract for Boiler Replacement at the West Roxbury branch library. Five bidders submitted applications and three were found to be unresponsive. The BPL is recommending the lower bidder, Enterprise Equipment Co., Inc.

The Non-Fiction Inventory Project contract had three responsive bids, the lower of which was for \$34,000 submitted by the recommended vendor, The Donahue Group, Inc. ("DGI"). The BPL has over ten years of experience working with DGI.

The Replacement of Sewer Ejector Pumps at the Johnson Building had three bidders and the lower responsive bidder, Williamson New England Pump & Motor, had been selected. Ms. Donaghey explained that there was some urgency with this contract as one existing sewer ejector pump was already out of service. James Meade has experience working with Williamson.

Ms. Donaghey noted for the Committee that the "Book Bird" contract was no longer on the agenda. She explained there had been difficulty submitting bids and that the Book Bird contract would be on the agenda for the November 12, 2014 meeting.

Rep. Rushing asked how soon the Johnson pumps would be repaired and Ms. Donaghey replied that as soon as the vote is signed, Williamson could proceed.

Ms. Arenas asked why there was only one bid for the first contract, furniture repair. Mr. Maheigan stated that while there were initially three bids, only one of the bidders continued along in the process. The selected vendor, Workplace Resource, had done similar work before and had been recommended by William Rawn Architects, the architect for the Mattapan branch.

Ms. Arenas asked for confirmation that all selected vendors were indeed the lowest bidders and that all references had been checked. Mr. Maheigan confirmed these statements. Ms. Arenas stated her concern in situations when there is only one bidder. Mr. Maheigan confirmed that all bids are publicly advertised and that the BPL is obliged to follow the lowest and most responsible bid.

Mr. Leonard added that the scope of the furniture refurbishing contract was specific in that it refers to furniture that was already purchased and uniquely selected for the Mattapan Branch. Given the specific nature of the work, it may limit bidders.

Ms. Arenas again voiced her concern over only receiving one bid. She took no issue with any of the contracts for which there were a number of bidders and the lowest bidder was selected. Rep. Rushing stated that he is sensitive to this issue and asked that the BPL look for ways to reach a broader universe of potential bidders.

Mr. Maheigan replied that the bid for furniture refurbishing was sent to three different vendors, the names of which were given to him by the original architect, and the bid was publicly advertised.

Ms. Arenas asked that the record reflect her concern regarding the lack of bidders for the furniture refurbishing bid. In the future she would like to see more bidders applying for each contract and asked that the BPL look for ways to broaden the universe of vendors.

Ms. Arana-Ortiz asked for a motion that all five contracts listed be awarded. Upon motion made and duly seconded, the Committee unanimously voted to award to the named vendors, the five contracts brought before the Committee.

VOTED: that, there be entered into with Workplace Resource LTD, 162 Prescott Street, Worcester, MA 01605, the sole eligible, responsible, and responsive bidder in the public bidding, advertised under G.L. C. 30B, a contract for Refurbishing Various Items of Furniture at the Mattapan Branch Library located at 1350 Blue Hill Avenue, Mattapan, MA 02126, at a total cost not to exceed twenty nine thousand, three hundred eighty four dollars and fifty cents (\$29,384.50).

VOTED: that, there be entered into with Enterprise Equipment Co., Inc., 276 Libbey Parkway, Weymouth, MA 02189, the lowest eligible, responsible, and responsive bidder in the public bidding, advertised under G.L. C. 30B, a contract for Boiler System Replacement at the North End Branch Library, 19 Parmenter Street, Boston, MA 02113, at a total cost not to exceed thirty five thousand, hundred sixty dollars and zero cents (\$35,460.00).

VOTED: that, there be entered into with Enterprise Equipment Co., Inc., 276 Libbey Parkway, Weymouth, MA 02189, the lowest eligible, responsible, and responsive bidder in the public bidding, advertised under G.L. C. 30B, a contract for Boiler System Replacement at the West Roxbury Branch Library, 1961 Centre St. West Roxbury, MA 02132 at a total cost not to exceed forty thousand, eight hundred seventy dollars and zero cents (\$40,870.00).

VOTED: that, there be entered into with The Donohue Group Inc., 41 Mechanic Street, Windsor, CT 06095, the lowest eligible, responsible, and responsive bidder in the public bidding, advertised under G.L. C. 30B, a contract for Collection Inventory of Approximately 100,000 Items from the Nonfiction Collections in Conjunction with the Johnson Building Renovation, for the period September 25, 2014 through November 15, 2014 at a total cost not to exceed thirty four thousand dollars and zero cents (\$34,000.00).

VOTED: that, there be entered into with Williamson New England Pump & Motor, 25 Griffin Way, Chelsea, MA 02150, the lowest eligible, responsible, and responsive bidder in the public bidding, advertised under G.L. C. 30B, a contract for Replacement of Two (2) Sewer Ejection Pumps serving the Johnson Building of the Boston Public Library located at 700 Boylston Street, Boston, MA 02116 at a total cost not to exceed forty two thousand, eight hundred five dollars and zero cents (\$42,805.00).

The next meeting of the Finance and Audit Committee is scheduled for November 12, 2014 and all members confirmed their availability on that date.

Upon motion made and duly seconded, the Committee voted to adjourn the meeting. The meeting adjourned at 9:02 a.m.



Deborah A. Kirrane
Clerk of the Board

