

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON

Meeting of the Trustees Finance and Audit Committee Tuesday, October 31, 2023, at 8:30 a.m. Held via Zoom

MINUTES

A meeting of the Boston Public Library Trustees Finance and Audit Committee was held virtually on Tuesday, October 31, 2023, via Zoom at 8:30 a.m.

Members present at the meeting: Committee Chair Evelyn Arana Ortiz and Committee members: Navjeet Bal, John Hailer, David Leonard, and Senator Mike Rush. Jeff Hawkins was absent.

Also, present were Boston Public Library staff including Chief Financial Officer Emily Tokarczyk, Clerk of the Board Pamela Carver, BPL staff members, and members of the public.

Ms. Arana Ortiz presiding called the Meeting of the Trustees Finance and Audit Committee (“Committee”) to order at 8:31 a.m. The Committee Chair read the welcoming EDI statement and a roll call was taken and determined there was a quorum. Everyone was reminded that the meeting was being recorded and how to sign up for Public Comment.

Ms. Arana Ortiz began the meeting by welcoming Emily Tokarczyk to her first Finance and Audit Committee meeting in her new role of Chief Financial Officer.

The first matter of business was deferring the approval of the minutes from the May 5, 2023 meeting until a later date due to the Clerk’s recent leave due to medical reasons.

Next, Kyle Connors, Partner of Marcum was invited to review the FY23 Draft Audited Financial Statements. Mr. Connors began by noting that the transition from former Chief Financial Officer Ellen Donaghey to Emily Tokarczyk was seamless. He explained it is a tight turnaround and a lot of work for all involved to have financial statements prepared this quickly after year end. He thanked the BPL finance team for all their assistance in making this possible.

Marcum issued a clean audit opinion which means the financial statements referred to above present fairly, in all material respects, the respective financial position of the Boston Public Library. Overall the BPL’s operations increased net position to \$2.4 Million. The majority of increase relates to the City Managed Funds of \$ 66 million, investment gains net of distributions were \$5.2 million, which were offset by transfers and expenditures of \$3.8 million. He also noted an increase in the Deferrari trust fund of \$288,000 and the BPL Fund of \$490,000. He reviewed the general fund balances that has remained consistent overall over the last seven years.

Mr. Connors explained that this includes the adoption of GASB 96, long-term or subscription based IT agreements (SBITA’s) enhance the relevance and consistency of the Library’s SBITA activities. Some examples include Bibliocommons, OCLC, and Innovative. They are intangible contracts that were added as assets/liabilities that would not have been reflected in former years.

Mr. Leonard clarified that the financial analysis was for the Trustees business as a corporation and the part that this committee was fiscally responsible for. The totality of the financial picture includes the BPL operating as a city department. City Funds are not reflected in this audited financial statements.

Mr. Connors concluded that the audit was complete; awaiting the BPL Fund’s financial reports to be included as a component unit of the Boston Public Library. He stated the BPL’s management letter

would be distributed shortly thereafter. With no further questions, a motion was duly made, seconded, and,

VOTED: “that, the Trustees Finance and Audit Committee of the Public Library of the City of Boston recommend the Board of Trustees approve the BPL’s Draft Audited Financial Statements for the fiscal year ending June 30, 2023.”

Next, Sebastian Grzejka, NEPC Partner and Alex Sollers, NEPC Consultant gave a quick review of the Market and Portfolio as well as a rebalance recommendation.

Ms. Sollers reviewed the performance through the end of July (as August figures were not ready yet). Noting the fund was slightly overweight equities and slightly underweight fixed income, based on the 60/40 benchmark. The one year performance was impacted by the market volatility. However, planned performance showed to have a strong performance with no concerns in these areas. The recommendations would rebalance these figures to align with the strategic long term targets.

Ms. Sollers reviewed the rebalancing recommendations of moving \$1.5 million from equities toward fixed income and multi-asset to get closer to strategic long-term performance targets.

Sebastian Grzejka reviewed the current market outlook. He said there was lots of resilience and the economy was moving smoothly and beyond expectations. Inflation was trending in the right direction. The U.S. had a relatively robust market. Mega-Caps (such as Amazon, Netflix, Apple, Google, etc.) have driven U.S. market returns this year, with 80% of the returns, leaving mediocre returns for other mega-caps. In relations to rebalancing our portfolio and where to place the monies, U.S. equities have performed very well so far. Therefore, it makes sense to reduce exposure from U.S. Mega-Caps while maintaining large-cap value exposure. U.S. high yield offers a greater return and they recommend increasing our exposure in these areas.

The Committee had a lengthy discussion on the various markets in greater detail. They discussed the importance of the BPL remaining strategic while staying in our mandate with the investments. They hope to get closer to the benchmark of neutral.

With no further questions, a motion was duly made, seconded and,

VOTED: “that the Trustees Finance and Audit Committee of the Public Library of the City of Boston vote to accept NEPC’s recommendation to move \$1.5 Million from U.S. and International Equity and moving it to fixed income and multi-asset.”

Next, Ms. Arana Ortiz asked for New Business. She reminded the committee of the BPL’s ‘BOOKIES’ Golf tournament on September 26th at Franklin Park Golf Course.

Next she asked for Public Comment for which there was none.

With no further business, the meeting adjourned at 9:19am

Respectfully Submitted,

Pamela R. Carver, Clerk of the Board