

BPL FINANCE AND AUDIT COMMITTEE

Evelyn Arana Ortiz, Committee Chair

5.16.23

Members of the Public may sign up for Public Comment via the CHAT by 9:00 a.m.
Comments left in the chat will not be acknowledged. written comments may be submitted to the Clerk of the Board, pcarver@bpl.org

BPL OPENING STATEMENT

The Trustees of The Boston Public Library reaffirm our commitment to racial equity and to principles of diversity equity and inclusion, more broadly.

The Library is formally committed to becoming an anti-racist organization in response to systemic racism, inequity, and injustice prevalent in our society.

We acknowledge also that the Boston Public Library's Central Library stands on land that was once a water-based ecosystem providing sustenance for the indigenous Massachusetts people *and is a place which has long served as a site of meeting and exchange among nations*. We are committed to land acknowledgements for all locations at which we operate.

We reaffirm this commitment to set the context for our planning, deliberations, and public engagement so that they take place from the spirit of welcome and respect, found in our motto 'free to all.'

Taken from the Institutional Statement Ratified by the Board of Trustees for the Boston Public Library on September 29, 2020.

F&A COMMITTEE

Evelyn Arana Ortiz, Committee Chair

- Welcome Remarks
- Roll Call of Committee Members
- Approval of Meeting Minutes from March 14, 2023



MARKET AND PORTFOLIO UPDATE

BOSTON PUBLIC LIBRARY

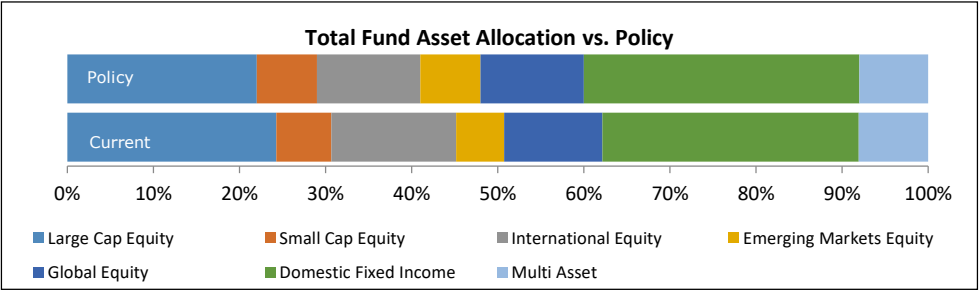
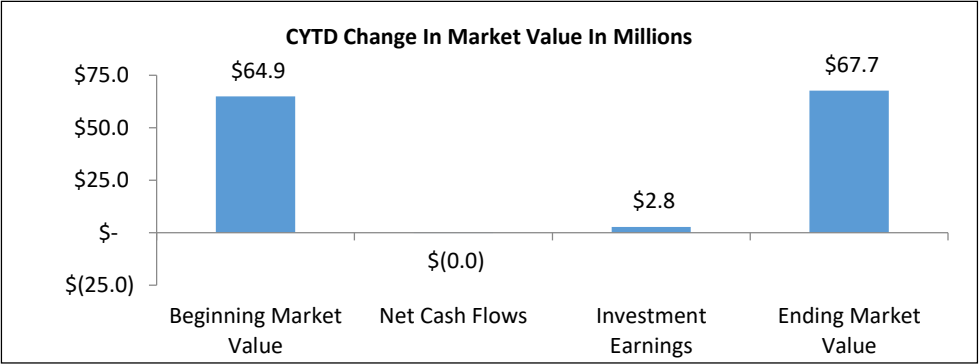
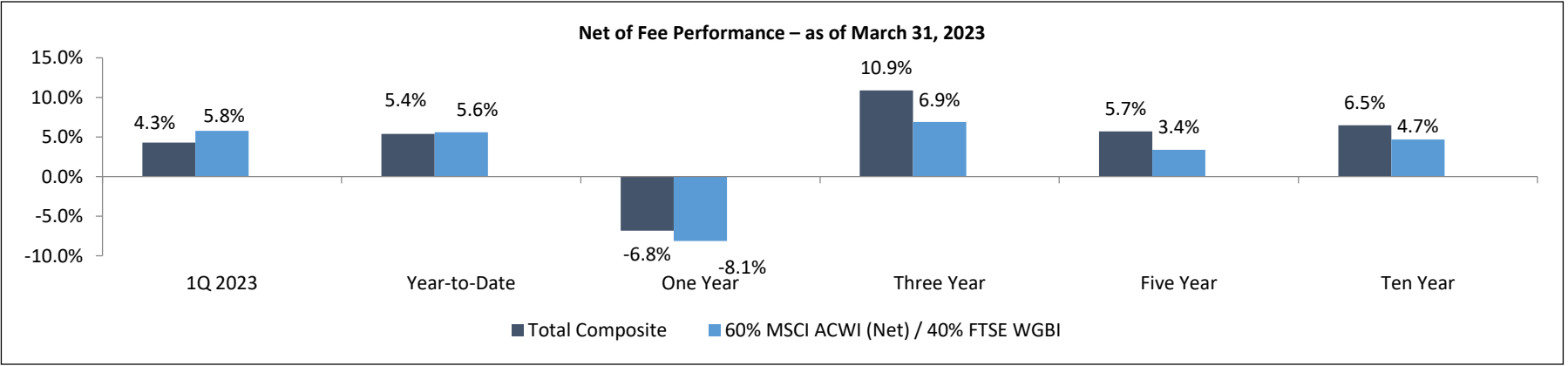
ENDING MARCH 31, 2023

Sebastian Grzejka, CAIA, Partner
Alexandra Sollers, CFA, Consultant



TOTAL FUND EXECUTIVE SUMMARY

Boston Public Library



Overview of Portfolio and Considerations

➡ Asset Allocation

- The Fund is generally in line with long term targets, and we do not recommend changes currently

➡ Performance

- Long term performance is strong on both an absolute and relative basis
- First quarter performance has been impacted by recent market volatility, however, active management was generally additive on a relative basis

➡ Portfolio Updates

- Staff is working to add short-term investment grade credit passively via Vanguard
- Portfolio recently rebalanced to raise annual spend

TOTAL FUND PERFORMANCE DETAIL (NET)

	Allocation			Performance (%)							
	Market Value (\$)	% of Portfolio	Policy (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Composite	67,664,892	100.0	100.0	4.3	-6.8	10.9	5.7	6.8	6.5	9.0	Jan-81
60% MSCI ACWI (Net) / 40% FTSE WGBI				5.8	-8.1	6.9	3.4	5.2	4.7	-	
Total Domestic Equity	20,746,706	30.7	29.0								
SSgA SRI S&P 500	8,771,147	13.0		8.0	-8.5	18.0	11.1	12.4	12.1	13.5	Jan-09
S&P 500 Index				7.5	-7.7	18.6	11.2	12.4	12.2	13.5	
Diamond Hill Large Cap Class Y Shares	7,654,673	11.3		-0.7	-11.0	17.3	8.0	-	-	-	Mar-17
Russell 1000 Value Index				1.0	-5.9	17.9	7.5	-	-	7.1	
Segall Bryant & Hamill Small Cap	4,320,887	6.4		2.5	-5.1	21.2	10.0	11.6	-	9.1	Jan-15
Russell 2000 Index				2.7	-11.6	17.5	4.7	8.6	-	6.4	
Total Non-US Equity	13,604,692	20.1	19.0								
Total International Equity	9,833,410	14.5	12.0								
Earnest International Investment Trust Fund	9,833,410	14.5		7.3	-4.4	18.3	4.2	7.9	-	4.7	May-14
MSCI AC World ex USA (Net)				6.9	-5.1	11.8	2.5	5.9	-	3.2	
Total Emerging Markets Equity	3,771,282	5.6	7.0								
UBS EME HALO	3,771,282	5.6		2.8	-11.5	4.3	-	-	-	0.7	Jun-19
MSCI Emerging Markets (Net)				4.0	-10.7	7.8	-	-	-	2.3	
Total Global Equity	7,706,158	11.4	12.0								
Impax Global Resource Optimization Fund	7,706,158	11.4		7.0	-8.3	18.8	-	-	-	18.8	Apr-20
MSCI AC World Index (Net)				7.3	-7.4	15.4	-	-	-	15.4	
Total Domestic Fixed Income	20,156,801	29.8	32.0								
IR&M Core Bond Fund II	5,559,155	8.2		3.1	-4.7	-2.5	0.2	0.5	1.1	3.1	Mar-07
Blmbg. U.S. Aggregate Index				3.0	-4.8	-2.8	0.9	0.9	1.4	3.0	
SSgA Treasury Inflation Protected Securities	3,995,715	5.9		3.5	-6.1	1.7	2.9	-	-	2.6	Jan-18
Blmbg. U.S. TIPS				3.3	-6.1	1.8	2.9	-	-	2.6	
Manulife Asset Management	4,866,225	7.2		3.4	-3.1	1.9	1.7	-	-	2.0	Jan-17
Blmbg. Global Aggregate				3.0	-8.1	-3.4	-1.3	-	-	0.3	
State Street U.S. Treasury Index Non-Lending Common Trust Fund	5,735,706	8.5		3.2	-4.5	-	-	-	-	-5.1	Jun-21
Blmbg. U.S. Treasury Index				3.0	-4.5	-	-	-	-	-5.0	
Total Balanced - GAA	5,450,535	8.1	8.0								
PIMCO All Asset	5,450,535	8.1		3.2	-6.5	10.4	3.9	5.8	3.7	-	Jun-12
PIMCO All Asset Index				3.4	-4.6	1.7	2.6	2.9	2.7	3.1	

-PIMCO All Asset Index consists of 40% Bloomberg Aggregate / 30% Bloomberg US TIPS Index/ 10% S&P 500 / 10% HY / 10% JPM EMBI + TR.

-Diamond Hill Large Cap Class Y Shares Cash: \$91,856; Impax Multi Asset Fund Cash: \$632; IR&M Core Bond Fund II Cash: \$148,145; Manulife Cash: \$65,050; PIMCO Cash: \$108,844; Segall Bryant & Hamill SC Cash: \$208,332; SSgA SRI S&P 500 Cash: \$48,924; Earnest International: \$7,107

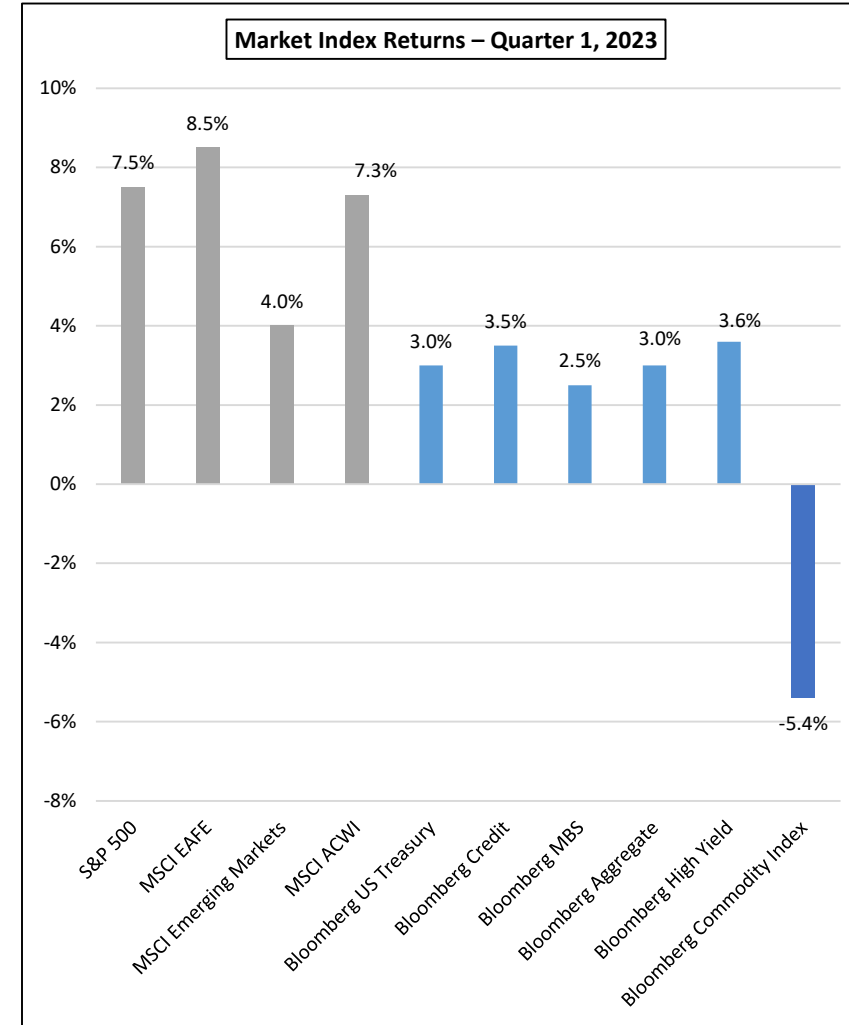
-New Policy % targets as of 4/1/2020; Returns are net of fees.

MARKET UPDATE



Q1 2023 IN REVIEW

- **U.S. stocks ended the first quarter on solid ground even as turmoil in the banking sector threw markets in disarray**
 - Volatility spiked in March following the collapse of Silicon Valley Bank and a handful of other financial institutions
 - However, despite the instability, stocks rallied as regulators stepped in to contain the fallout and interest rates fell in response to the bank failures
 - For the three months ended March 31, the S&P 500 Index gained 7.5%
 - International developed equities were in the black too, with the MSCI EAFE up 8.5%
- **In efforts to contain the fallout from the banking sector, the Federal Reserve raised the benchmark rate just 25 basis points in March to a target range of 4.75% to 5%**
 - Treasuries were up 3%, and investment-grade and high-yield corporate credit gained 3.5% and 3.6%, respectively
- **The first quarter was a mixed bag for real assets**
 - The Bloomberg Commodity Index lost 5.4%, while gold was a bright spot with gains of 8%



REMAN LIMITED

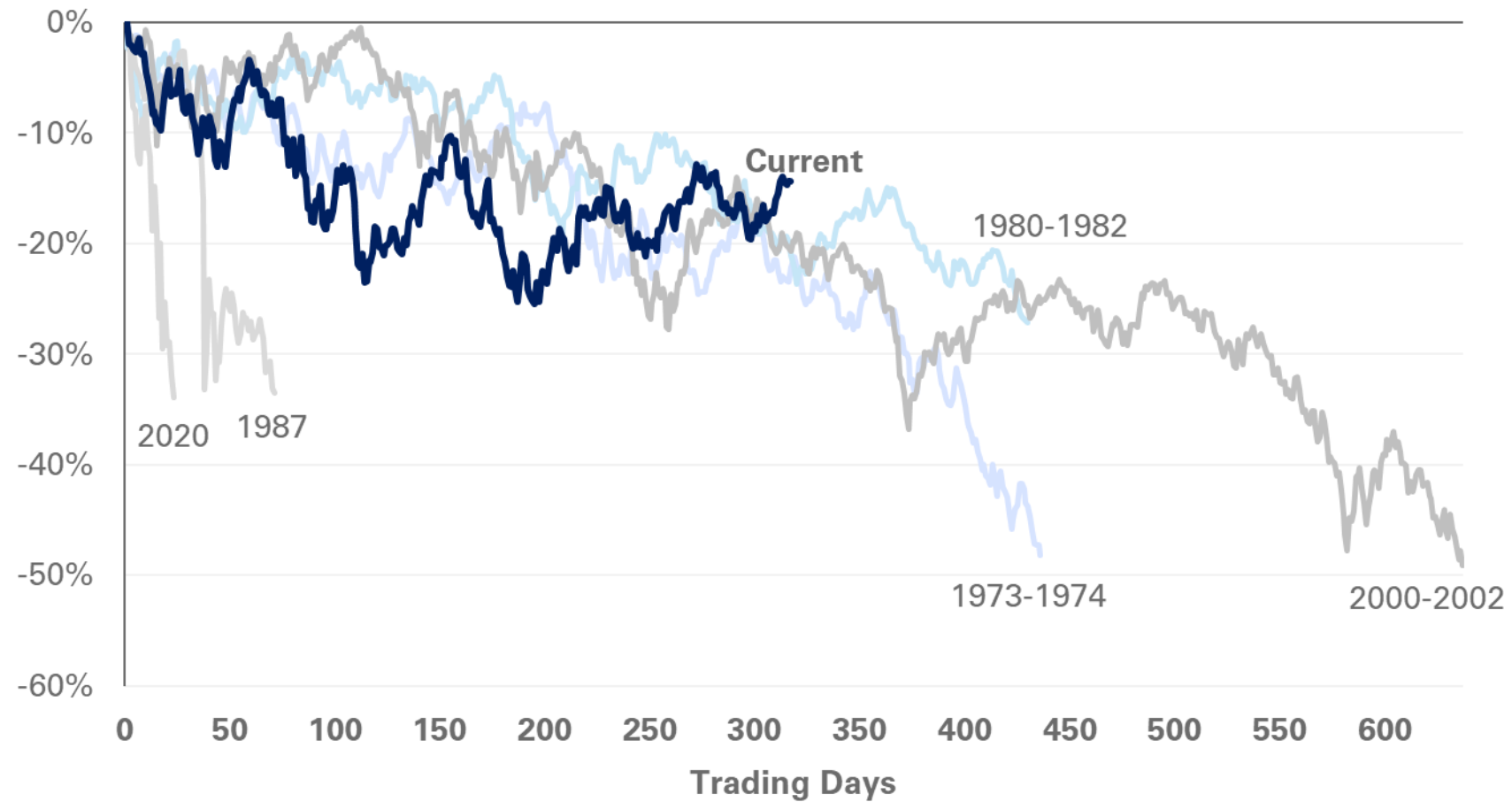
CUMULATIVE CHANGE IN EQUITY ALLOCATION: 60/40 PORTFOLIO



DOWN MARKET IS DOWN MARKET

PAST TREND

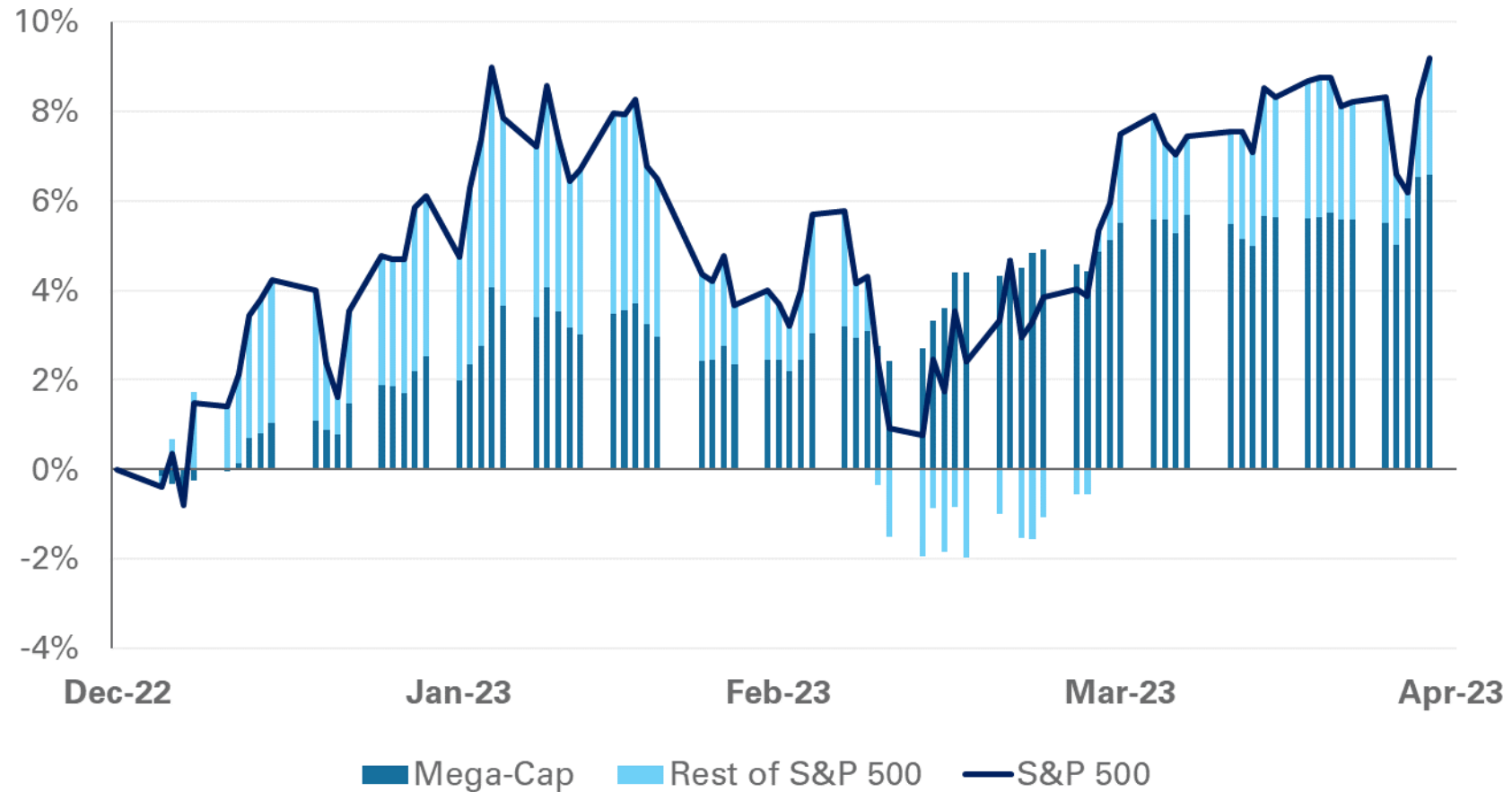
HISTORICAL S&P 500 BEAR MARKET PATHS RELATIVE TO TODAY



Sources: S&P, FactSet, NEPC

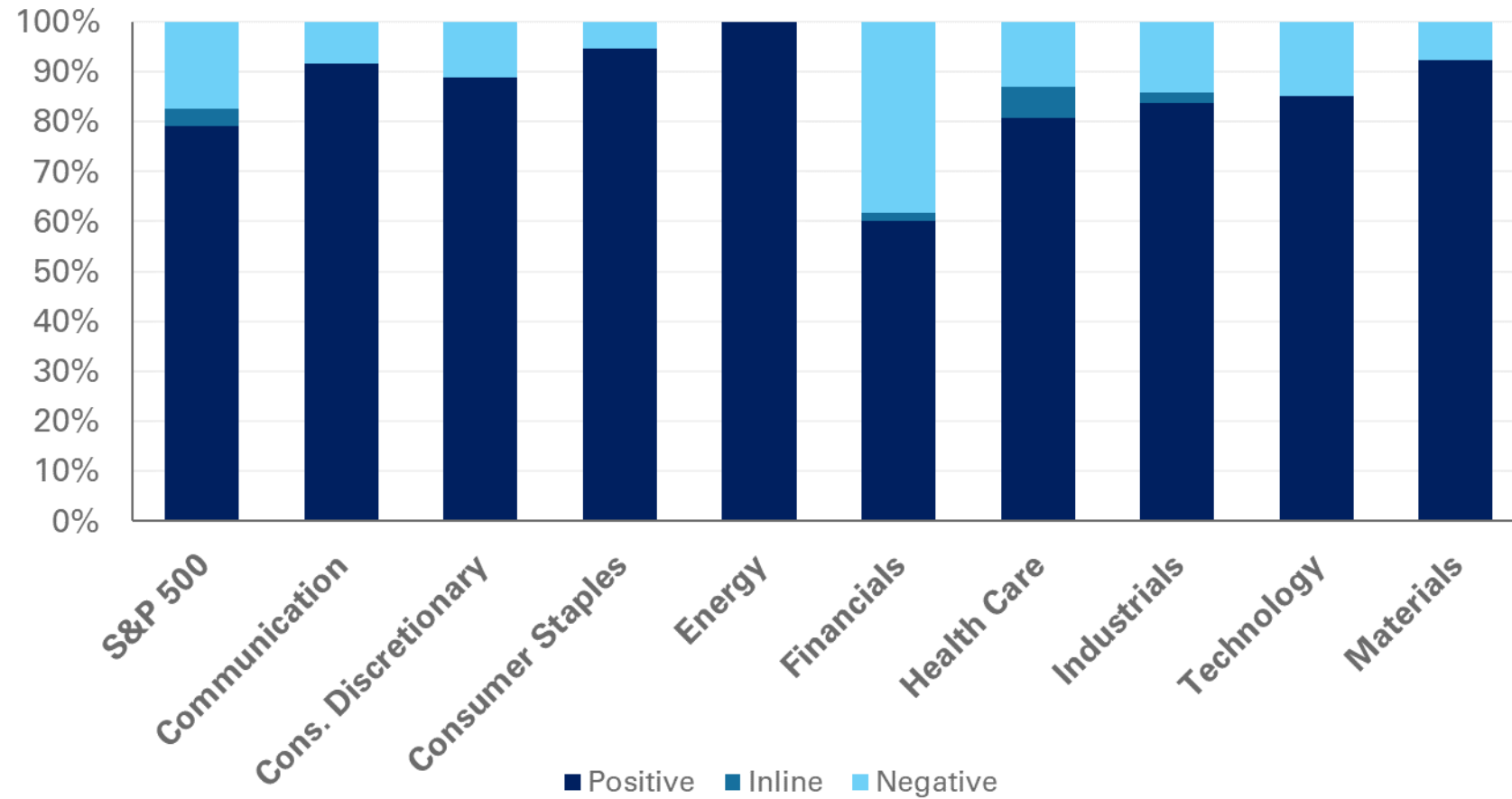
SUPPORT & RETURNS

CUMULATIVE CONTRIBUTION TO S&P 500 RETURNS



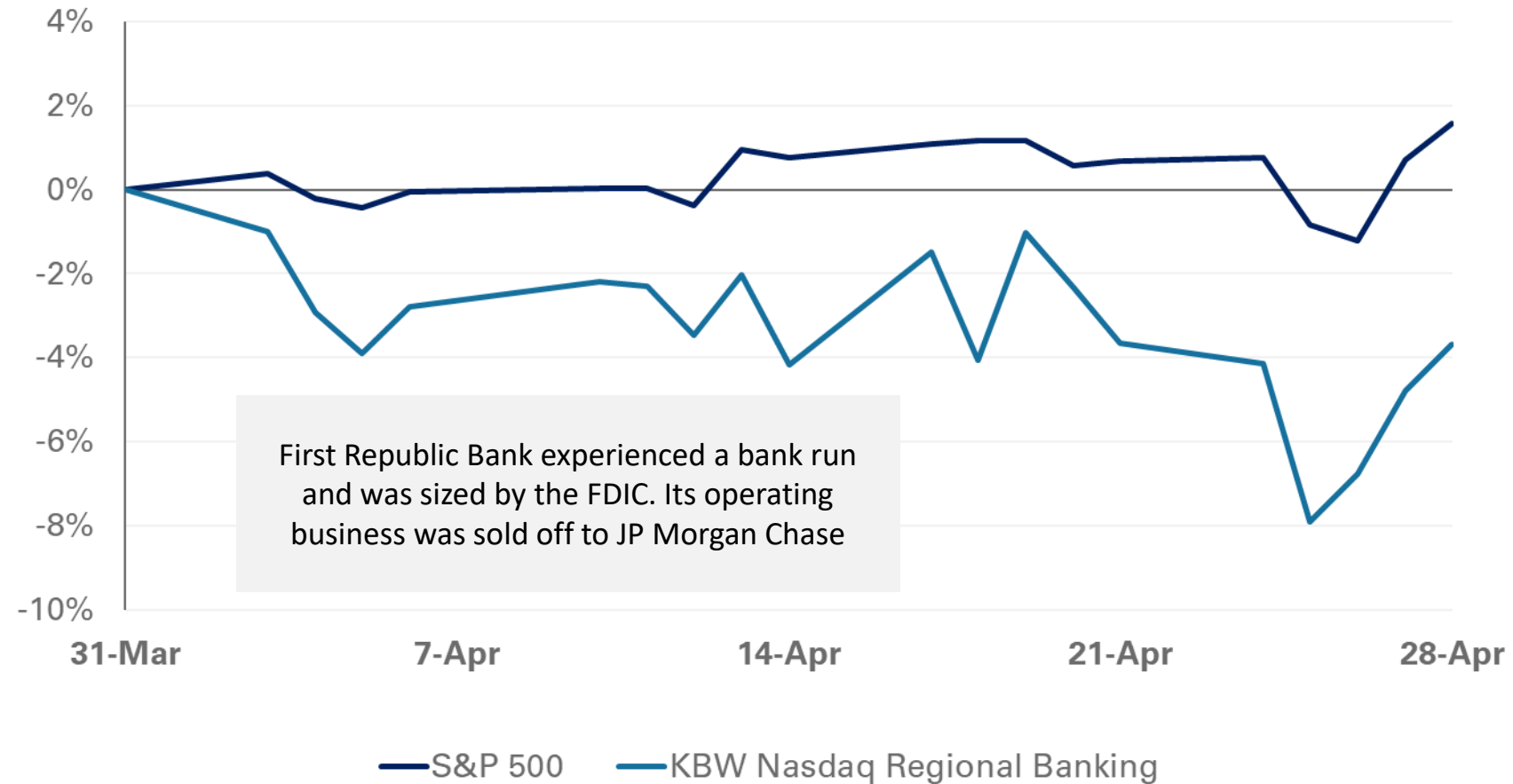
S&P 500 EARNINGS SURPRISE FOR THE FIRST QUARTER

EXPECTED



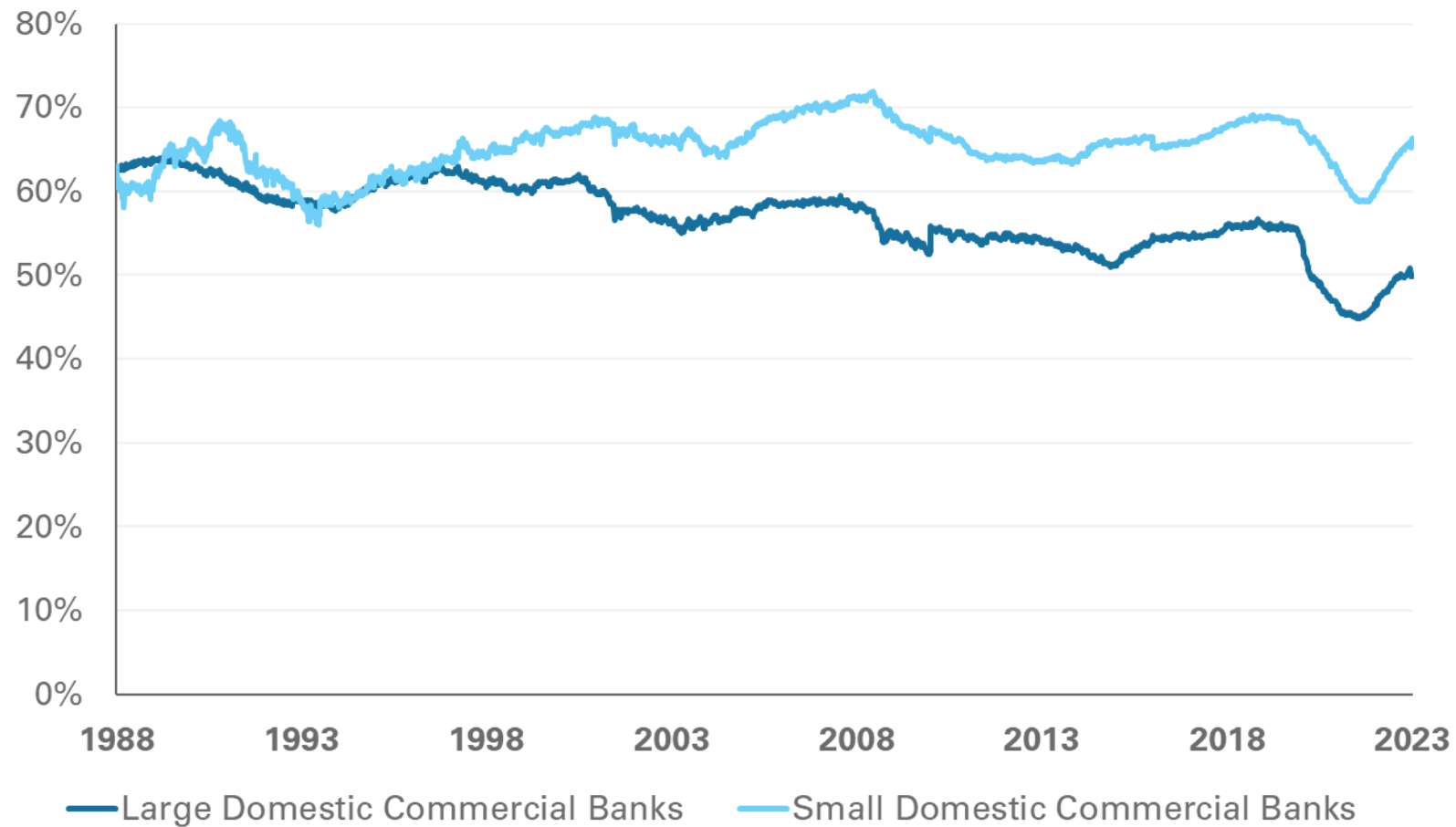
RECENTLY DRAWN DOWN IN WIND PRESSURE

CUMULATIVE TOTAL RETURN



DEPOSIT LEVELS

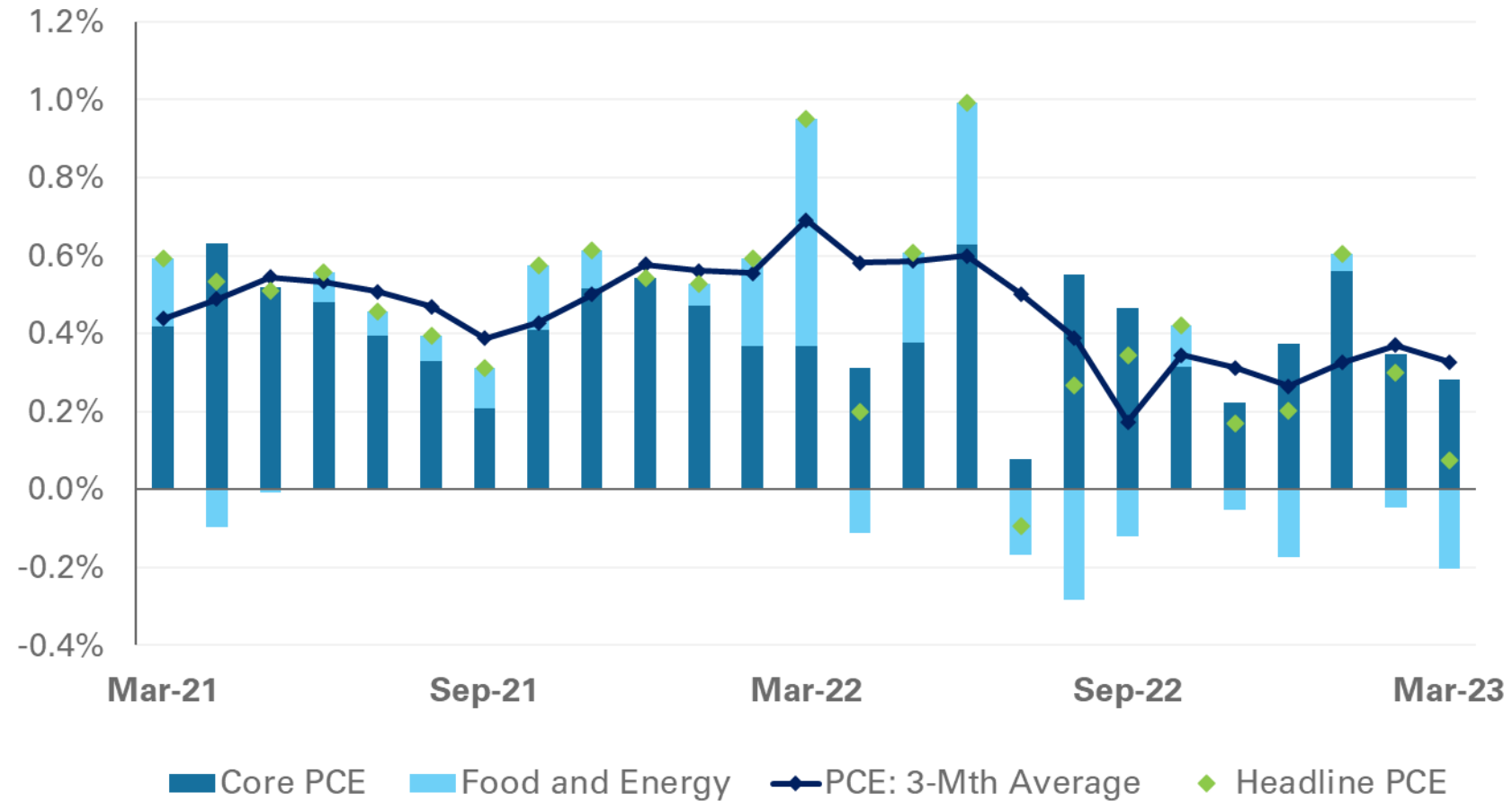
LOANS & LEASES IN BANK CREDIT AS % OF TOTAL BANK ASSETS



Source: Federal Reserve, FactSet

CONSUMER PRICES REMAIN ELEVATED

MONTHLY CHANGE IN U.S. PCE PRICE INDEX



A DATA CONUNDRUM

THE MARKET IS DIGESTING THREE ECONOMIC OUTCOMES

Investor Sentiment

No Landing

Labor Market

No Landing

Economic Growth

Soft Landing

Inflation

No Landing

Consumer Spending

Soft Landing

Fed Funds Expectations

Hard Landing

FOMC Expectations

Soft Landing

Interest Rates

Soft Landing

Manufacturing Sector

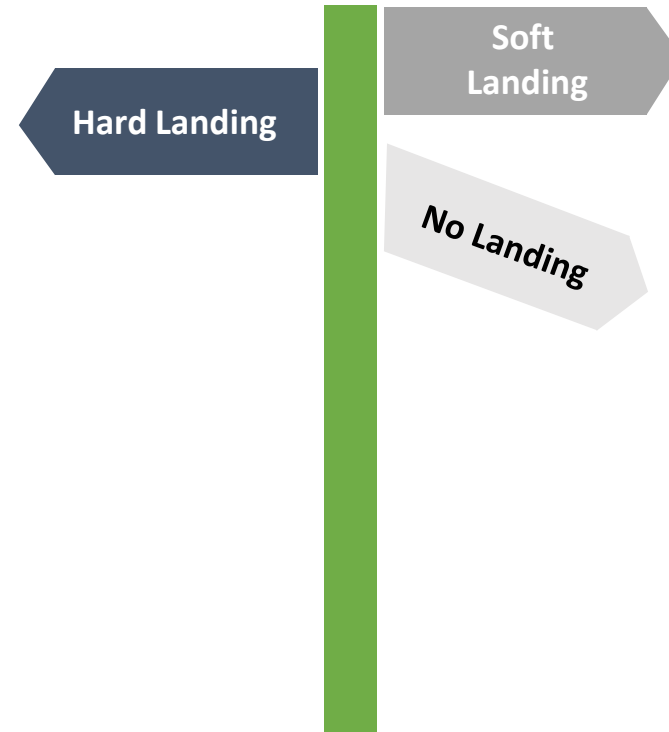
Hard Landing

Services Sector

No Landing

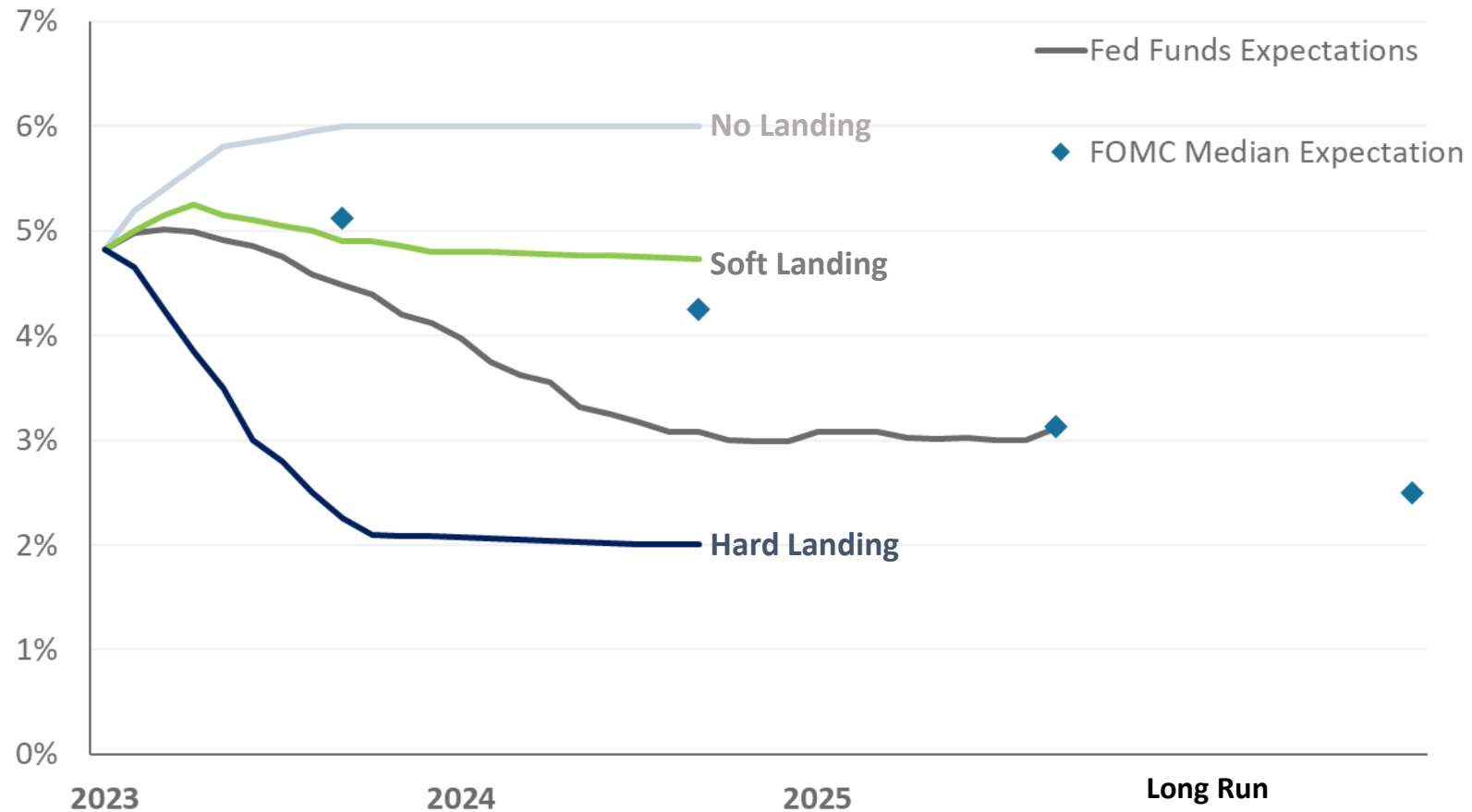
Commercial Real Estate

Hard Landing



RECESSION CONCERNS

THE FED DOT PLOT VERSUS FED FUNDS FUTURES



Notes: "No landing", "Soft landing", and "Hard landing" paths are illustrative

Sources: Federal Reserve, FactSet

U.S. ECONOMIC OUTLOOK



The market is struggling to discount the forward path for the U.S. economy given diverging economic data points



Interest rate-sensitive sectors of the economy are realizing the impact of tighter monetary policy – stoking broad recession fears



Resilient data from the services sector and the labor market continue to underpin “no landing” and “soft landing” outcomes



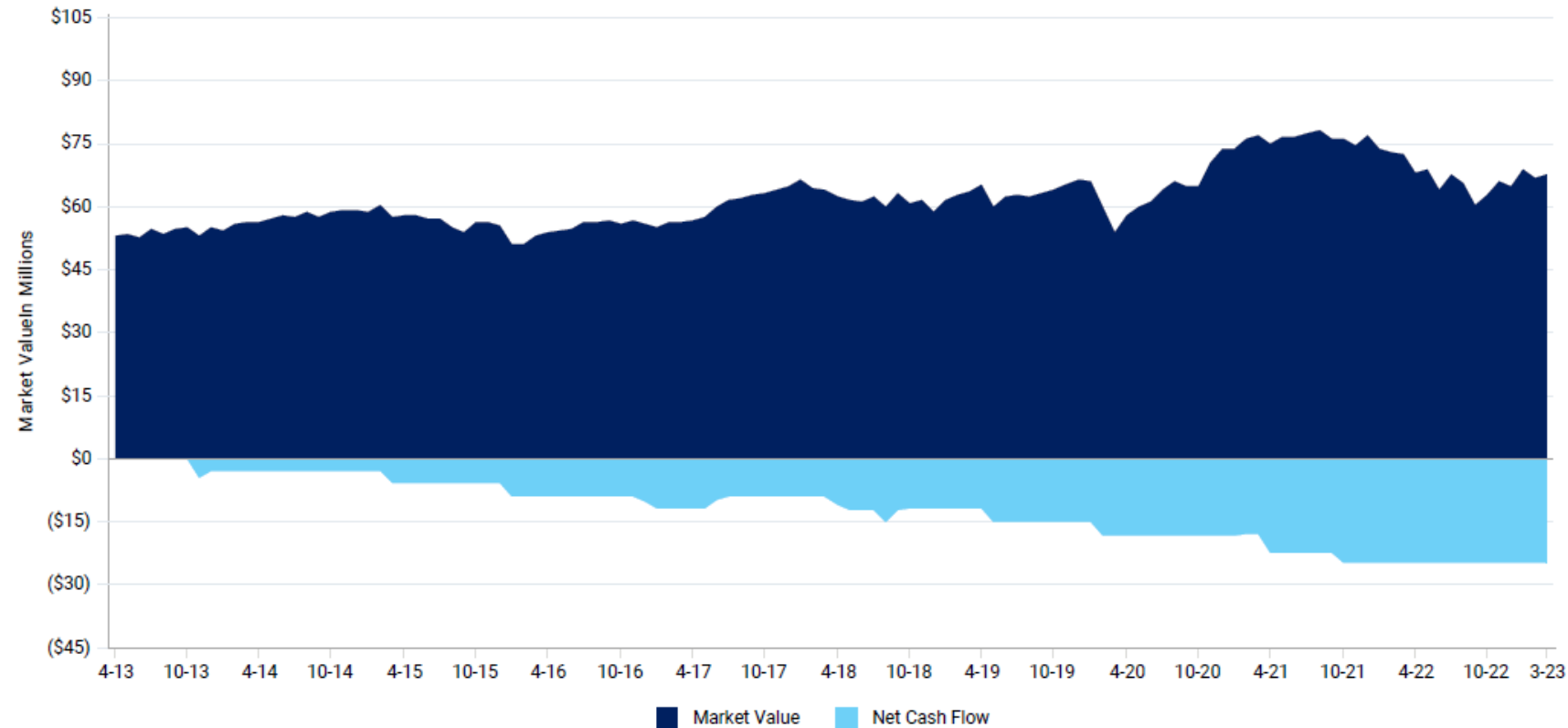
The credit lending impact from banking sector stress is still being realized – this will be a key determinant of the landing path



APPENDIX

TOTAL FUND ASSET GROWTH SUMMARY

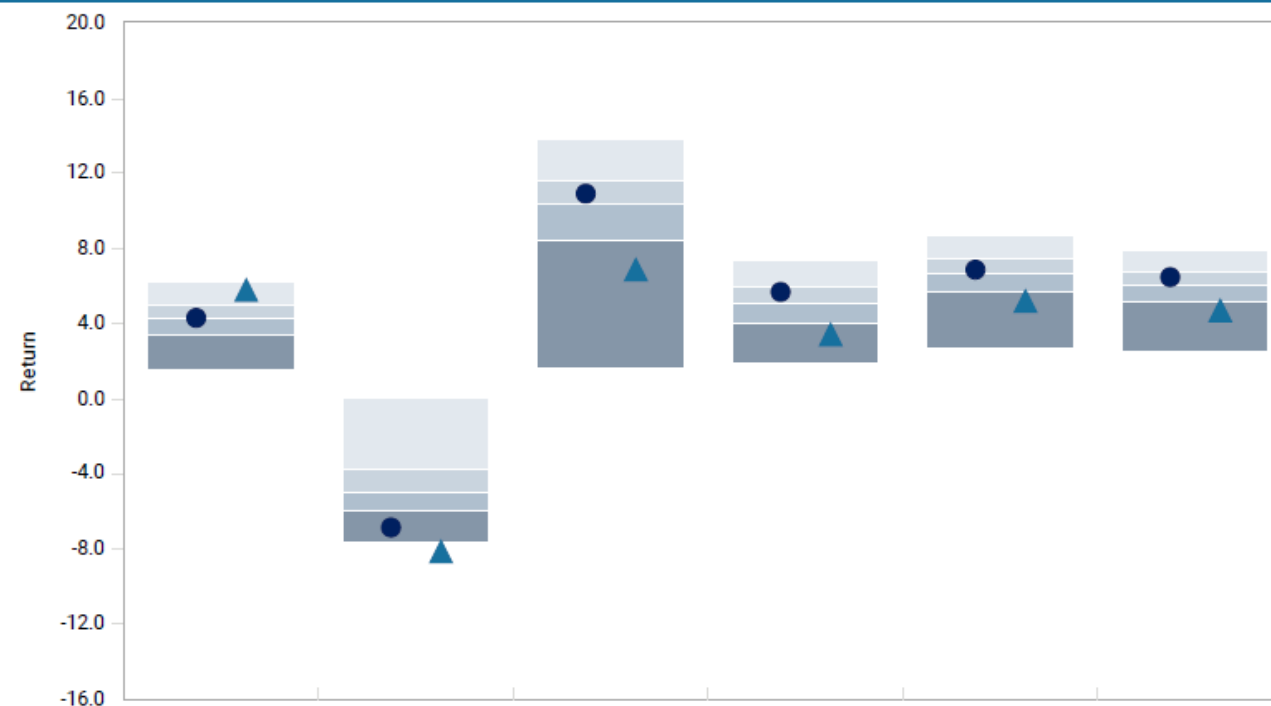
10 Years Ending March 31, 2023



	Last Three Months	1 Year	3 Years	5 Years	7 Years	10 Years
Beginning Market Value	64,873,770	72,589,501	53,758,521	64,217,341	53,300,682	52,494,232
Net Cash Flow	-13,521	-38,554	-6,633,830	-15,821,100	-16,057,590	-24,863,154
Net Investment Change	2,804,643	-4,886,055	20,540,201	19,268,651	30,421,800	40,033,814
Ending Market Value	67,664,892	67,664,892	67,664,892	67,664,892	67,664,892	67,664,892
Net Change	2,791,122	-4,924,609	13,906,371	3,447,551	14,364,210	15,170,660

TOTAL FUND RETURN SUMMARY VS. PEER UNIVERSE

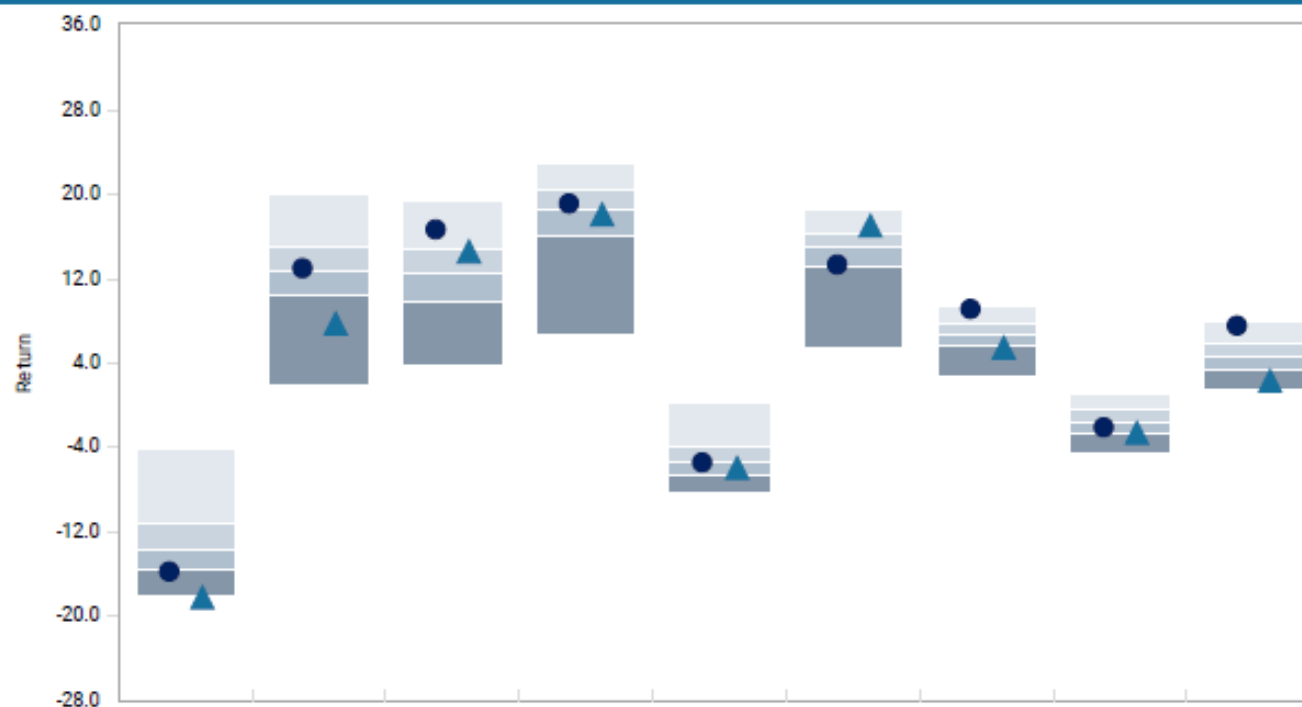
Composite vs. All Endowment&Foundation-Total Fund



	3 Mo	1 Year	3 Years	5 Years	7 Years	10 Years
● Composite	4.3 (53)	-6.8 (91)	10.9 (38)	5.7 (32)	6.8 (44)	6.5 (35)
▲ 60% MSCI ACWI (Net) / 40% FTSE WGBI	5.8 (9)	-8.1 (98)	6.9 (84)	3.4 (87)	5.2 (83)	4.7 (81)
5th Percentile	6.2	0.1	13.8	7.4	8.6	7.8
1st Quartile	5.0	-3.7	11.6	6.0	7.5	6.8
Median	4.3	-5.0	10.3	5.1	6.6	6.1
3rd Quartile	3.5	-5.9	8.5	4.1	5.6	5.2
95th Percentile	1.5	-7.6	1.6	1.9	2.7	2.6
Population	713	670	626	578	535	438

TOTAL FUND RETURN SUMMARY VS. PEER UNIVERSE

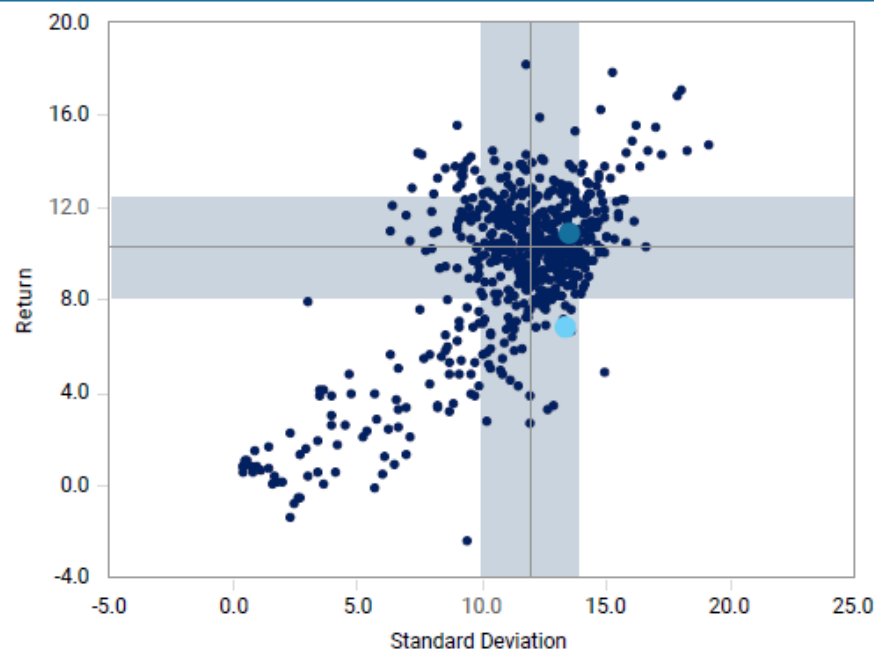
Composite vs. All Endowment&Foundation-Total Fund



	2022	2021	2020	2019	2018	2017	2016	2015	2014
● Composite	-15.6 (76)	12.9 (50)	16.8 (13)	19.1 (44)	-5.4 (51)	13.3 (75)	9.1 (8)	-2.1 (66)	7.6 (7)
▲ 60% MSCI ACWI (Net) / 40% FTSE WGBI	-18.1 (96)	7.8 (87)	14.5 (28)	18.2 (56)	-5.8 (59)	17.1 (16)	5.5 (77)	-2.6 (76)	2.3 (90)
5th Percentile	-4.2	20.1	19.3	23.0	0.3	18.7	9.6	1.2	7.9
1st Quartile	-11.1	15.2	14.8	20.3	-3.9	16.4	7.8	-0.3	5.9
Median	-13.6	12.9	12.5	18.6	-5.4	15.1	6.7	-1.5	4.6
3rd Quartile	-15.6	10.4	9.9	16.1	-6.6	13.2	5.6	-2.6	3.4
95th Percentile	-18.0	2.0	3.7	6.6	-8.2	5.4	2.9	-4.5	1.5
Population	906	1,094	1,298	1,290	1,076	1,027	985	916	876

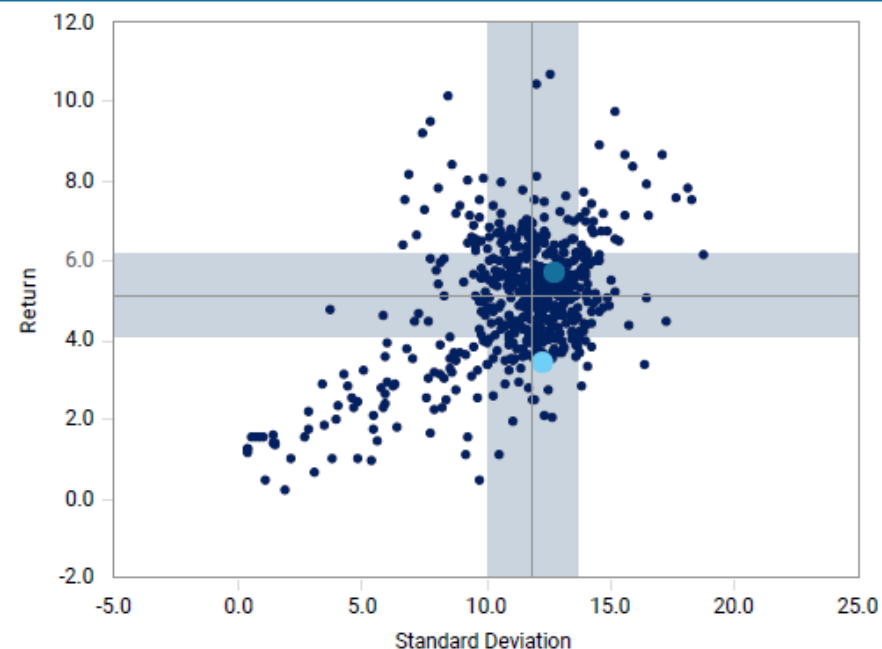
TOTAL FUND RISK/RETURN - 3 AND 5 YEARS

3 Years Ending March 31, 2023



● All Endowment&Foundation-Total Fund ● Composite
● 60% MSCI ACWI (Net) / 40% FTSE WGBI

5 Years Ending March 31, 2023



● All Endowment&Foundation-Total Fund ● Composite
● 60% MSCI ACWI (Net) / 40% FTSE WGBI

3 Years Ending March 31, 2023

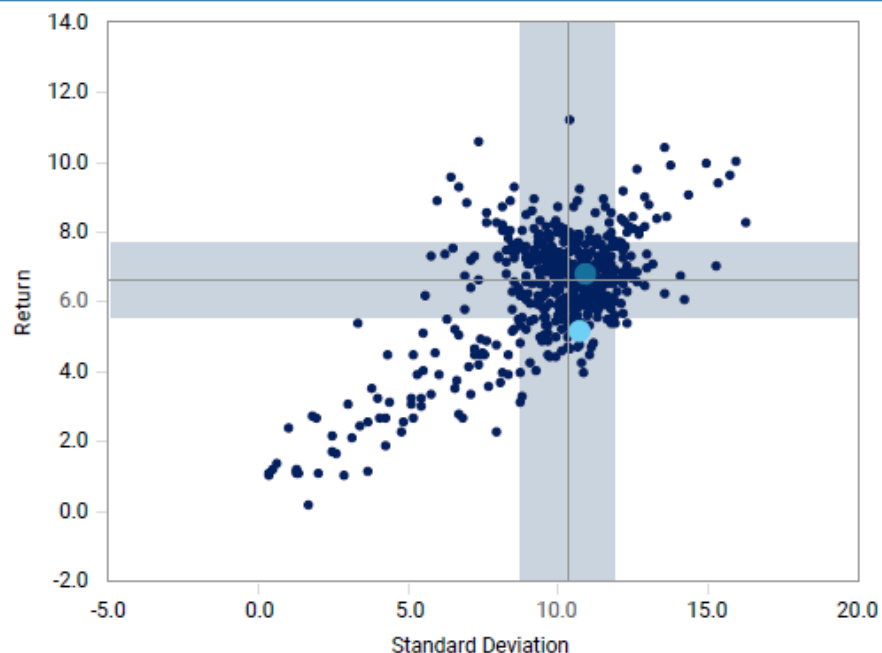
	Return	Standard Deviation	Sharpe Ratio
Composite	10.9 (38)	13.5 (78)	0.8 (50)
60% MSCI ACWI (Net) / 40% FTSE WGBI	6.9 (84)	13.4 (75)	0.5 (89)
Allocation Index	8.8 (73)	12.8 (65)	0.7 (76)
Population	626	626	626

5 Years Ending March 31, 2023

	Return	Standard Deviation	Sharpe Ratio
Composite	5.7 (32)	12.7 (70)	0.4 (39)
60% MSCI ACWI (Net) / 40% FTSE WGBI	3.4 (87)	12.2 (59)	0.2 (91)
Allocation Index	4.8 (61)	11.8 (49)	0.3 (59)
Population	578	578	578

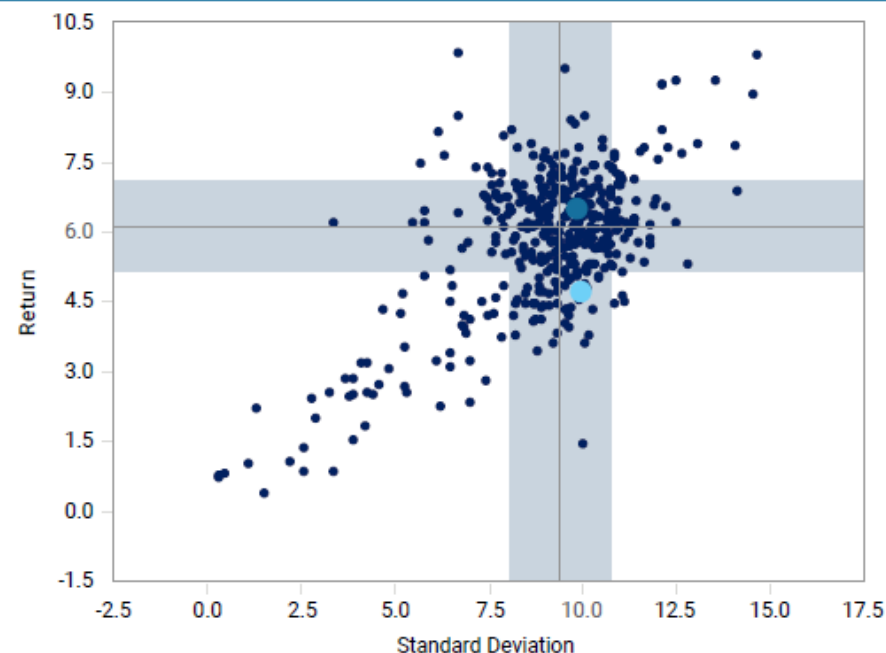
TOTAL FUND RISK/RETURN - 7 AND 10 YEARS

7 Years Ending March 31, 2023



● All Endowment&Foundation-Total Fund ● Composite
 ● 60% MSCI ACWI (Net) / 40% FTSE WGBI

10 Years Ending March 31, 2023



● All Endowment&Foundation-Total Fund ● Composite
 ● 60% MSCI ACWI (Net) / 40% FTSE WGBI

7 Years Ending March 31, 2023

	Return	Standard Deviation	Sharpe Ratio
Composite	6.8 (44)	10.9 (67)	0.5 (50)
60% MSCI ACWI (Net) / 40% FTSE WGBI	5.2 (83)	10.7 (62)	0.4 (89)
Allocation Index	5.9 (72)	10.2 (47)	0.5 (71)
Population	535	535	535

10 Years Ending March 31, 2023

	Return	Standard Deviation	Sharpe Ratio
Composite	6.5 (35)	9.8 (64)	0.6 (41)
60% MSCI ACWI (Net) / 40% FTSE WGBI	4.7 (81)	10.0 (67)	0.4 (89)
Allocation Index	5.8 (58)	9.2 (44)	0.6 (51)
Population	438	438	438

INFORMATION DISCLAIMER

Past performance is no guarantee of future results.

The goal of this report is to provide a basis for monitoring financial markets. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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Mayor's FY24 Recommended Budget

**BOSTON
PUBLIC
LIBRARY**



Ellen Donaghey, Chief Financial Officer

OPERATING BUDGET

Boston Public Library

FY24 Budget Development-Status as of 4/12/2023

FY23 Approp	\$	43,955,533	
FY24 Maintenance	\$	46,789,010	
FY24 Recommended	\$	47,684,960	
Increase/(Decrease) from FY23 Approp	\$	3,729,427	8.5%

	FY23 Adopted	FY24 Recom
Operating Headcount	508.61	528.78

	Amount	Head Count
<u>Directed Priority Investments</u>		
Expansion of Branch Services & Hours	\$ 750,000	12.00
Expansion of Multi-Lingual Patron Service Offering	\$ 145,950	2.00
Total Investments	\$ 895,950	14.00

BUDGET INITIATIVES

- ➡ Secure Maintenance and operational adjustments to the Operating Budget
- ➡ **Initiative area #1: Front Line Staff, geared towards expansion of Hours**
 - 13 Positions: Brighton, Codman, Egleston, Faneuil, Grove Hall, Hyde Park, JP, North End, Roxbury , West Roxbury, + 1 Teen Central, 1 HR, 1 travelling custodian.
- ➡ Initiative area # 2: Multilingual Human Services Offering
 - ESL instructor, Bi-Lingual Social Work Capacity

CAPITAL BUDGET

- ➔ Construction: Faneuil
- ➔ Complex Planning/Design: Charlestown, Uphams, West End
- ➔ Design: Fields Corner, Egleston, South End, Codman
- ➔ Repair Scoping: Connolly, Hyde Park
- ➔ PENDING: North End, South Boston
- ➔ Central/Systemwide
 - McKim Fire Monitoring System
 - McKim Façade Repairs
 - McKim Renovation
 - Collections Storage Facility Planning
- ➔ Five-year Plan FY24-FY28: \$155m,
 - Full funding for Faneuil, Fields Corner, Egleston, Codman.

MAYOR WU'S FY24 RECOMMENDED OPERATING AND CAPITAL BUDGET

VOTED: “that, the Trustees Finance and Audit Committee recommend approval by the Trustees of the Public Library of the City of Boston to accept Mayor Michelle Wu’s FY2 Recommended Operating and Capital Budget.”

DELEGATE APPROVAL FOR STRATEGIC PLANNING CONSULTANT

Ellen Donaghey, Chief Financial Officer

VOTED: “that, the Trustees Finance and Audit Committee of the Public Library of the City of Boston recommend the Board of Trustees delegate approval for the Strategic Planning Consultant Contract to the Finance and Audit Committee.”

2023-2024 FINANCE & AUDIT COMMITTEE SCHEDULE

Evelyn Arana Ortiz, Committee Chair

- Tuesday, September 19, 2023, at 8:30-10:00 a.m. via Zoom
- Tuesday, October 31, 2023, at 8:30-10:00 a.m. via Zoom
- Tuesday, January 23, 2024, at 8:30-10:00 a.m. via Zoom
- Tuesday, March 5, 2024, at 8:30-10:00 a.m. via Zoom
- Tuesday, May 14, 2024, at 8:30-10:00 a.m. via Zoom

VOTED: “that, the Trustees Finance and Audit Committee of the Public Library of the City of Boston approve the schedule as presented (subject to change) “

New Business

**BOSTON
PUBLIC
LIBRARY**



Evelyn Arana Ortiz, Committee Chair

Presentation of the Draft
Tax Returns (IRS Form 990)

**BOSTON
PUBLIC
LIBRARY**



Ellen Donaghey, Chief Financial Officer

Public Comment

**BOSTON
PUBLIC
LIBRARY**



- People will be chosen in the order they were received and allowed 2 minutes to speak.
- The Moderator will unmute your mic when you are called on.
- Comments made in chat during meeting will not be acknowledged.
- If follow up is required, please send your contact email or phone number to the Clerk of the Board at pcarver@bpl.org