TREASURER'S REPORT
THE NYACK LIBRARY
January 31, 2017

FY 2017 Budget: At its January 9 meeting, the Board of Trustees approved the Director's draft budget for FY 2018 that calls for total spending of $3,321,057. The budget requires a 1.88% increase in the property tax levy.

The FY 2018 Budget will be presented at a public meeting on February 7 and put to a public vote on February 14.

Bonds Status: As of January 31, the Library had $9,965,000 in outstanding bonds. Interest payments of $252,628 will be due on June 1, 2017.

Replacement Bonds: The program to refinance the Library's long term debt continues to advance. The Finance Committee met with Key Bank in December, who delivered a written proposal to act as placement agent for the replacement bonds. Key Bank would offer the Library's bonds to as many as a dozen banks. Key would receive from the Library a fee in excess of $100,000 for this service if the bonds are placed through them.

The Library has already engaged in discussions with three other banks who have expressed an interest in direct purchase of our replacement bonds: TD Bank, Provident Bank (NJ), and Sterling National Bank. The Treasurer discussed Key Bank's proposal with two of these institutions. They object to funneling their proposals through Key Bank. They prefer to make their offers direct to the Library. The Treasurer has drafted a response to Key Bank on their proposal. That draft will be reviewed by the Finance Committee before it is sent to Key Bank.

All of the banks, including Key Bank, have requested two specific pieces of information: (1) documentation of the Library's authority to levy a property tax and (2) literature on the future of public libraries. The Treasurer, with assistance from Trustee Seiler, has collected information on the legal foundation for the property tax levy. The Director has provided a published 2013 report from the Pew Research Center on public sentiment about the importance of public libraries.

Key Financial Metrics for the Replacement Tax-Exempt Bonds: Two key financial metrics will have a dramatic effect on the interest rate of the replacement bond the Library intends to issue in calendar 2017.

The first metric is the yield on the 10-year US Treasury Note. The election of Donald Trump to the Presidency on November 8 raised expectations of improved economic conditions. In addition, the Federal Reserve raised the Fed funds rate by 0.25% in December. Together, these two events caused an upward spike in the yield (interest rate) on the 10-year Treasury Note, as reflected in the table below.

September 30, 2016	1.60%
October 31, 2016	1.81%
November 30, 2016	2.37%
December 30, 2016	2.45%
January 31, 2017	2.49%

In addition, the incoming Trump administration has signaled that it will ask Congress to reduce the corporate tax rate from the current 35% to as low as 15%. Should the corporate tax rate drop this dramatically, banks' appetite for purchasing tax-exempt bonds will diminish. However, they will still be interested in purchasing taxable bonds.

For the Library, while the interest cost of taxable bonds would be higher, taxable bonds are substantially less expensive to issue. Most of the front-end fees charged by the lawyers and the conduit agency would be eliminated.

We will continue to monitor these key financial variables. The overall picture will hopefully be more clearly defined by mid-2017.

Cash: On January 31, cash balances in the Library's accounts totaled $1,162,947.

An additional $953,928 in cash is held by the Bond Trustee, BONY Mellon, in the Library's Debt Service Reserve account. This Debt Service Reserve account is required to satisfy covenants on the Library's outstanding bonds and is not available for expense coverage. These Debt Reserve funds are invested in a ladder of FDIC-insured CDs.

Disbursements: The Board of Trustees will be asked to approve $198,230 in disbursements for the month of January 2017. 55% of those disbursements were for payroll, 11% was for insurances, 8% was for property taxes on the rental properties, and the remaining 26% was for library materials and other miscellaneous expenses.

Operations and Budget Performance: For the first seven months of FY 2017, the Library realized a $70,669 cash surplus from all of its enterprises.

Library operations accounted for $98,161 or 140% of that cash surplus. Most of that cash surplus was the result of favorable workforce, operations, and library materials variances from the Budget.

Through January, DePew House operated at a $34,584 cash deficit. DePew is now forecast to suffer a cash loss of $58 thousand in FY 2017, $12 thousand worse than budget.

Through January, Stevenson House produced a $7,092 cash surplus and is now forecast to deliver a cash surplus of $16 thousand in FY 2017, $5 thousand worse than budget.

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