TREASURER'S REPORT
THE NYACK LIBRARY
February 28, 2017

FY 2017 Budget: On February 7, the Director and Trustees hosted a public meeting in the Library's Community Room to explain the proposed FY 2018 budget. On February 14, voters in the Library's service area overwhelmingly approved the FY 2018 budget by a vote of 164-18. The approval rate of 90.1% is the highest since the Library began keeping records (1983).

The budget calls for $3,321,057 in total spending and requires a 1.88% increase in the property tax levy.

Bonds Status: As of February 28, the Library had $9,965,000 in outstanding bonds. Interest payments of $252,628 will be due on June 1, 2017.

Replacement Bonds: During February, the program to refinance the Library's long term debt continued to unfold positively on a number of fronts.

Discussions continued with the three banks who have expressed an interest in direct purchase of our replacement bonds: TD Bank, Provident Bank (NJ), and Sterling National Bank.

All of the banks requested two specific pieces of information: (1) documentation of the Library's authority to levy a property tax and (2) an assessment of the future of public libraries. The Treasurer, with assistance from Trustee Seiler, collected information on the legal foundation for the property tax levy. The Director provided a published 2013 report from the Pew Research Center on public sentiment about the importance of public libraries. The Treasurer distributed this information package to the three banks in conjunction with a report on the favorable results of the Budget vote. All of the banks responded positively, stating that our submittal directly addressed concerns raised by their credit analysts.

The Treasurer had a productive working meeting on February 23 with representatives of Sterling Bank. Sterling's credit review is complete, and their lending team is eager to present a terms sheet. The February 23 discussions focused on loan structure and the timetable for completion of the financing.

The Treasurer had an exploratory meeting on February 8 with Janney Capital Markets. While employed by a different investment bank in 2007, individuals currently employed by Janney were directly involved in the placement of the Library's Series A and B bonds. Janney proposed to function as placement agent for the Series A replacement bonds. This is the same role proposed by Key Bank. The content of the meeting with Janney is more fully described in the minutes of the Finance Committee meeting of February 15.

On February 16, the Finance Committee provided a written response to Key Bank regarding their proposal to act as placement agent for the Series A bond refinancing. The Library expressed the need to isolate the direct financing proposals of the three banks listed above from the solicitations Key is proposing to make in the Library's behalf. In response to our letter, Key Bank contacted the Treasurer on February 27. They are willing to allow the Library to proceed with the three banks in parallel with their solicitation effort. They also reduced their proposed placement fee by 0.25%.

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

The first metric is the yield on the 10-year US Treasury Note. The table below summarizes the recent trend in rates.

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%
February 28, 2017	2.36%

Treasury yields have retreated to November levels and stabilized in the 2.3 – 2.5% range. A departure from that range will require some external stimulus, such as an unanticipated increase in the Fed funds rate, massive federal infrastructure spending, or another financial disruption in the Euro currency zone.

The second metric is the corporate tax rate. The Trump administration signaled that it will ask Congress to reduce the corporate tax rate from the current 35% to as low as 15%. In customary fashion, Congress is flailing. No definitive answer on tax policy is expected until late Summer.

Kurz Endowment: The Kurz Family Foundation provided a $38,000 grant to the Library to establish the Kurz Business Corner. The trustee of the Foundation wants the Library to invest the funds so that they generate returns sufficient to cover the annual operating costs of the Business Corner.

The Board of Trustees discussed the Kurz endowment at its February 13 meeting and asked the Finance Committee to develop policy regarding the management of the grant funds. At its February 15 meeting, the Finance Committee reviewed the agreement with the Kurz Foundation and the Library's Investment Policy. The Committee concluded that our Investment Policy allows investment of grant funds in "marketable high quality investment grade securities" and that the Vanguard Group's Wellington Fund satisfies that criterion. Separately, the Library Director sought an opinion from a Westchester County expert in library fiduciary matters. After considering the Library's legal status and our Investment Policy, he offered a similar opinion.

At its March 13 meeting, the Board of Trustees will be asked to authorize the Treasurer to establish an account with the Vanguard Group and invest the Kurz Endowment funds with the Wellington Fund.

Cash: On February 28, cash balances in the Library's accounts totaled $1,008,937.

An additional $953,933 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 $175,922 in disbursements for the month of February 2017. 62% of those disbursements were for payroll, 8% for RCLS services, 7% for library materials, 6% for insurances, and the remaining 17% for miscellaneous expenses.

Operations and Budget Performance: For the first eight months of FY 2017, the Library realized an $87,288 cash surplus from all of its enterprises.

Library operations accounted for $115,175 or 130% of that cash surplus. Most of that cash surplus was the result of favorable workforce and library materials variances from the Budget.

Through February, DePew House operated at a $35,247 cash deficit. DePew is now forecast to suffer a cash loss of $56 thousand in FY 2017, $10 thousand worse than budget.

Through February, Stevenson House produced a $7,360 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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