TREASURER'S REPORT
THE NYACK LIBRARY
September 30, 2016

Cash: On September 30, cash balances in the Library's accounts totaled $38,274.

We are now entering the period between October 1 and October 30 when the Library will begin using its $450,000 line of credit with Sterling Bank. We are dependent on the line of credit to meet our financial obligations until the first tranche of property taxes is received on November 1.

An additional $953,565 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.

Current Bonds Status: As of September 30, the Library had $10,225,000 in outstanding bonds. On December 1, debt service payments of $518,825 will be due.

FY 2016 Audit: Baldessari & Coster completed the field work for its FY 2016 audit in mid-September. We expect to receive their first draft of the audited financial statements by October 15. After initial review by the Treasurer, the statements will be referred to the Finance and Audit Committees.

The banks referred to in the paragraph below are eagerly awaiting the Library's FY 2016 audited financial statements.

Replacement Bonds: The program to restructure the Library's long term debt continued to advance in September.

Representatives of the soon to merge Key Bank / First Niagara Bank toured the facility and met with the Library Director, the Board of Trustees' President, and the Treasurer in September. This meeting was very productive.

At this point, the Library has four banks that are definitely supportive of our financial restructuring plan: Key Bank, TD Bank, Provident Bank (NJ), and Sterling National Bank. We will continue to carry discussions forward with these institutions in the coming months.

Key Financial Metric for the Replacement Tax-Exempt Bonds: The interest rate on the replacement tax-exempt bonds is directly linked to the yield on 10-year US Treasury Note. On September 30, the 10-year Treasury Note was yielding 1.60%.

The Treasurer met with the Alan Segars, Chief Investment Officer at Beacon Trust, a subsidiary of Provident Bank in early September. Mr. Segars provided the following guidance on the Library's refinancing decision.

- The US economy will continue to show tepid growth in the near term. Political gridlock in Washington will inhibit major fiscal policy initiatives. The Federal Reserve's options on monetary policy initiatives are quite limited.

- The Federal Reserve will increase the lending rate to banks by 0.25% twice over the next 15 months: once in December 2016 and a second time in mid-2017. However, the effect on the 10-year Treasury yield will be limited. The Fed's actions will push up yields on the 2-year Treasury Note, but not directly impact the yield on the 10-year Note. In other words, the yield curve will flatten.

- The yield on the 10-year Treasury Note will probably be limited to a range of 1.37% – 2.25% between now and the end of 2017, with fluctuations centering around 1.8%. He actually sees the possibility that interest rates will decline at some point during the remainder of 2016 from present 1.6% level to the lower end of his range.

So far, Mr. Segars forecast is accurate. The Federal Reserve decided to defer an increase in the Fed funds rate in September. The next date for considering a rate increase is December.

The above forecast suggests that the Library should be patient with its refinancing program. There appears to be no major risk of a major upward surge in interest rates before September/October 2017. The Finance Committee planned to revisit the subject in December 2016.

Operations and Budget Performance: For the First Quarter of FY 2017, the Library realized a $31,823 cash surplus from all of its enterprises.

Library operations accounted for $46,638 or 150% of that cash surplus. Most of that cash surplus was the result of favorable workforce, operations, and library materials variances from Budget. These were offset by higher than budgeted building maintenance costs.

Through September, DePew House operated at a $10,564 cash deficit, essentially on budget. Depew is forecast to suffer a cash loss of $47 thousand in FY 2017.

Through September, Stevenson House produced a $4,251 cash deficit, $4 thousand worse than budget. Stevenson is forecast to have a cash profit of $21 thousand in FY 2017.

Disbursements: The Board of Trustees will be asked to approve $266,594 in disbursements for the month of September. 59% of those disbursements were for payroll, and the remaining 41% was for property taxes on the rental properties, insurance, library materials, utilities, and other miscellaneous expenses.

Stephen R. Beck